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ABSTRACT

The fundamental objective of the study is to obtain a detailed analysis of the book publishing industry and the book printing industry in Canada, in order to determine what steps the Federal Government might take to assist the industry in improving its viability and in promoting its stability and growth. This objective implies that the study will provide the detailed analysis of the industry necessary to formulate the major policy options which may be open to the industry and to the Government of Canada. The primary purpose of the study is statistical and economic data collection. Publishing and manufacturing are the elements of the book industry considered. Publishing includes manuscript selection, editing, copyrighting, marketing and aspects of physical distribution as they pertain to publishers. Manufacturing encompasses typesetting, printing and binding. Both English and French language publishers of Canada are analyzed. (Author/SJ)

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THE BOOK PUBLISHING AND MANUFACTURING INDUSTRY IN CANADA

A Statistical & Economic Analysis

Prepared by

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Management Consulting Services
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for the

Department of Industry, Trade and Commerce

Government of Canada

Ottawa, Canada

October 1970

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FOREWORD

This report deals with certain aspects of the book industry in Canada. The terms of reference set out by the Department of Industry, Trade and Commerce appended to the report were used as a guide except where initial research indicated that modifications were desirable to provide a more meaningful analysis, particularly of the publishing sector of the industry.

The report is not designed to depict and analyze all of the problems facing the book industry in Canada, nor does it portray all its facets. The stated purpose of this study is data collection. We recognize the data is required for a number of reasons, including formulation of Government policy. The report has been organized to highlight the main characteristics of the industry. It deals with certain elements of an industry where to date little statistical data have been gathered. A cross section of opinions from the various segments of the industry should prove instrumental in providing solutions to current problems. The report is statistical and economic in nature. It was never intended to cover areas of cultural or sociological concern other than superficially.

The highlight findings deal primarily with the major statistical results of the research conducted. In our opinion, to understand the bases of our findings an understanding of the bases of the qualitative data shown in the three sections dealing with English language publishing, French language publishing and book manufacturing is required.

The report deals with the book industry as a whole, identified and detailed in Section V-A, the National Profile. The book industry is defined as that element of the economy concerned with making public certain thoughts or findings and in which the format used is the book itself, more precisely described in Section III-1. The elements of the industry studied in detail are publishing and manufacturing. Publishing includes the activities of manuscript selection, editing, copyrighting, marketing and some elements of physical distribution as they pertain to publishers. Manufacturing includes the activities of typesetting, printing

and binding. To be considered as a manufacturer, a company must at least print the book even if it does not typeset and bind.

The two ethnic elements of the publishing industry in Canada are analyzed separately in Sections V-B and V-C. The manufacturing sector is considered to be relatively homogeneous in Canada and is studied as one in Section V-D.

A number of private documents were made available to us. References in the report are substantiated by information contained in our working papers.

Ernst & Ernst

October, 1970.

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I. FINDINGS

The following are significant findings uncovered in our research of the book industry in Canada:

1. The Canadian book industry is made up of about 300 organizations publishing books and approximately 25 manufacturers whose principal activity is manufacturing books. Of these about 100 publishers account for virtually all books authored or adapted and manufactured in Canada; (Sec.III-2).

2. Of the estimated $222.0 million of books (at publishers' sales value) consumed by Canadians in 1969, 65% were imported books, 25% were Canadian published and manufactured books and 10% were adapted books manufactured in Canada; (Sec. V-A. 2(a)).

3. The value added by book manufacturing and publishing in Canada accounted for 0.09% of the 1969 Canadian Gross National Product. This contribution is approximately one third of the contribution made by the book industries in leading book publishing countries to their respective economies; (Secs. V-A 2(c) and V-D. 2(a)).

4. Publishers in Canada import as well as publish. Total revenues from these two activities account for 73% of the dollar value of books consumed by Canadians in 1969. The remaining 27% were largely supplied by companies who did not have distribution rights in Canada; (Sec. V-A. 2(b)).

5. Of the $144.8 million imported books (at publishers' sales value) consumed in Canada in 1969, 58% were distributed by Canadian publishers; (Sec. V-A. 2(b)).

6. Canada's book exports in 1969 are estimated at $5.5 million; (Sec. V-A. 2(b).

7. Thirteen percent (13%) of the book value consumed by Canadians in 1969 represented French language books. Per capita consumption of French language books is significantly lower because of considerable consumption of English language books by French speaking Canadians; (Sec. V-A 2(a)).

8. Publishers' sales of books authored or adapted in Canada and manufactured in Canada serve a small part of the available markets, ranging from 17% for specialized books to 45% for trade books; (Sec. V-A 3(a)).

9. The major customer categories not served well by publishers in Canada are libraries and university book stores which purchase 80% and 92% respectively of books not published in Canada. (Sec. V-A. 3(b)).

10. Canada has two distinct book publishing industries which are differentiated by the language of books published. They are the English language and French language book publishing industries; (Sec. II).

11. The major problems of the book industry in Canada as identified by the members are the limited indigenous demand, the significant importance of book imports consumed, the low volume of exports and significant peculiarities of the markets served by the two ethnic industries; (Secs. V-B.4, V-C.4, V-D.4).

12. Respondents indicated a willingness to solve some of the problems themselves but felt that assistance from various levels of government was necessary. Major solutions identified were: (Secs. V-D.5, V-C.5, V-D.4).

- increased emphasis on exports;
- securing more translation rights, particularly in the French language;
- rationalization of the industry;
- more access to the United States market for Canadian manufacturers;
- standardization of book sizes;
- unified voice in major trade associations, and
- increased co-ordination with and co-operation among provincial textbook buying agencies.

II. STUDY OBJECTIVES

The objectives of the study were outlined in the Statement of Work issued in January 1970 by the Department of Industry, Trade and Commerce, Government of Canada and stated in part:

> "The purpose of the study is to obtain a detailed analysis of the book publishing industry and the book printing industry in Canada.....
>
> "The primary purpose of the study is data collection. Two types of data - statistical and qualitative - will have to be collected. While the most important aspect of the study and the one requiring the most work is data collection, the Study will however require some analysis and interpretation of data.
>
> "The Department of Industry, Trade and Commerce requires two basic categories of information being set out -
>
> a) Statistical details of the "Industries"
>
> b) Economic considerations."

It was decided that modification of the original terms of reference was required. Our initial research included considerable discussion, with members of the book publishing industry, which revealed that elaboration of the publishing segment of the industry was required to reflect the role the publisher plays as a determinant of the manufacturer's well being.

Accordingly, Ernst & Ernst indicated to the Department of Industry, Trade and Commerce appropriate changes in the terms of reference. The following statement summarizes the divergence:

> "A principal finding to date indicates an important divergence between stated and implied terms of reference. Having performed our research to satisfy the original terms of reference which were heavily oriented to the manufacturing sector" .....We consequently pointed out that "much more emphasis needs to be placed on the publishing sector for our report to be truly descriptive of the book industry in Canada. This will,

in our opinion, provide a much more meaningful report without losing sight of the primary objective of this study.....

The terms of reference imply a study of publishing and printing but in detail emphasize only printing. We recommend that consideration be given to the increased emphasis on some of the problems of the publishing industry since the book manufacturing industry in Canada is largely dependent on the viability of the Canadian publishing industry and, as such, reacts to the requirements of that industry. To date, little or no attempt has been made by the printing industry to obtain from foreign publishers work in the form of initial run or re-runs of original manuscripts, translations, adaptations or co-editions."

The points identified above revolved essentially around the need to further emphasize in our study the documentation of the publisher's activities. The issues suggested were reviewed and agreed upon at a progress meeting with the Department of Industry, Trade and Commerce in July 1970. It was agreed at this meeting to modify the terms of reference to the extent necessary to provide the required analysis where such would improve the documentation of the realities of the industry and where the information already gathered could be used.

Accordingly, the agreed upon terms of reference are answered in this report by tables and charts rather than by descriptive explanations. We attempted on these points, to show through various factual measures, results achieved by the publishers rather than editorialize on the techniques and practices of the publishers.

Furthermore, it was agreed at the meeting in July to modify the stated objective of treating French and English language book publishers as one subject. The initial terms of reference stated:

"The French language printing and publishing industry is well integrated with its English language counterpart. Nevertheless, the study should include coverage of the French language printers and publishers, although not treating them as a separate or special subject unless the detailed analysis shows significant difference from the English language segment."

This statement was modified as a result of our preliminary findings, summarized as follows:

"In studying the publishing industry in Canada, a further finding has become increasingly obvious. The French language and the English language publishing industries are different entities. Some important differences are:

- channels of distribution,
- degree of vertical integration,
- tariff protection offered the French language industry,
- purchasing methods employed by the provincial government in Quebec,
- the roles of the Conseil Superieur du Livre and the Canadian Book Publishers' Council,
- differing philosophies in promoting sales to export markets."

In studying the book manufacturing industry, we were able to use original terms of reference extensively in guiding our research.

III. STUDY SCOPE AND APPROACH

1. Definition of the Book Industry

During our study of the industry, we encountered several problems of defining who rightfully belongs to the industry. Publishers were generally well classified by the type of book they produced but manufacturers who typeset, print and bind, use processes not exclusive to book manufacturing. We found that several publishers and manufacturers could be excluded if the following definition was used:

> "A publisher makes public information in a format which is not repeated more than once a year (i.e. generally updated editions are assumed to be produced with at least a one year time interval) and which is presented in a bound physical unit of more than 20 pages (supplementary material used in conjunction with books is included in this definition)."
>
> "Material so produced is copyrighted, to protect unlawful reproduction by unauthorized parties."
>
> "Material produced is intended for sale and includes no more than 20% advertising material."

Using the above definition, we eliminated from the survey those publishing periodicals, and non-copyright works such as advertising materials, school yearbooks, owners' instruction manuals and directories. We realize that some of these works, for example histories of companies, have educational as well as advertising value. Many non-copyright works serve educational functions. We believe these exclusions do not materially affect industry results portrayed.

We did, however, consider companies who presently distribute books but have periodically published books and are likely to publish books again.

2. Definition of Samples Used

- Publishers

The initial universe of publishers in Canada was defined as those firms identified by the 1969 edition of Canadian Books in Print. There were 283 publishers in Canada in 1969, of which 162 published books primarily in the English and 121 in the French language. Some publishers producing books in languages other than French and English were interviewed,and their results compiled with publishers of English language books. These totals exclude most of the Queen's printers, government departments, associations and agencies not primarily engaged in publishing, and individuals publishing their own books. University presses are included in the above definition but the five most active published the majority of all university press books in 1969. Several other university presses published on a part time basis, often utilizing academic talent for editorial purposes and available university printing facilities for manufacturing purposes.

In the survey design phase, we selected from the universe for personal interview 148 publishers of which 102 were English and 46 were French. These publishers accounted in total for over 95% of all the 1969 titles in print.

A contact programme consisting of a letter and a telephone call was devised to solicit the participation of this target group. Of the 148 publishers contacted, 99 provided us with usable and compileable inform ation. In total, these 99 publishers accounted for approximately 90% of the 1969 books in print. In general, our representative sample members were able to express opinions on the state and problems of the industry and of their company. However, co-operation was not experienced to the same degree in that part of our research programme aimed at gathering operating data. Of the 99 original contributors, 73 revealed their respective operating data as requested by Ernst & Ernst. We believe the balance were unable to supply such data because it was either unavailable or very difficult to obtain within the time allotment provided.

Interviews were conducted with several other publishers of books. This information was not tabulated in the format used, for the following reasons which existed at that time:

(a) Non-profit religious organizations or special organizations did not face the same type of problems nor is their organization the same as most publishing houses.

(b) Government agencies and some universities publish materials but had little information which could be adapted to the format chosen. Examples were provincial government printing bureaux and universities without a designated university press affiliation.

(c) The Queen's Printer in Canada was in the process of being reorganized as part of Information Canada and much of the opinion information sought was not available from those interviewed.

(d) Several publishing organizations did not have permanent representatives and it was difficult to determine the level of activity in the given period. This was particularly true of paperback publishers whose Canadian operations consisted largely of field sales personnel.

(e) A number of companies classified as publishers have never published and in some cases, doubt exists if they will publish in the near future. Most of these were reclassified as distributors and in some cases as booksellers only.

(f) Some "publishers" used that designation only to maintain a degree of respectability in the market place and provide them the opportunity to have their name included on a Canadian edition of foreign works where such would help Canadian sales.

Inasmuch as formal registration of a company is not required before publishing can take place, an exact number of organizations publishing is difficult to ascertain. All of our estimates are based upon examination of books which have been copyrighted in Canada by organizations which

have a permanent place of business in Canada (this excludes individuals operating as publishers without a specific organizational body and authors who publish their own works). The largest group publishing books not identified in our survey of publishers consists of commercial printing and book manufacturing companies which assume the publishing role, particularly where the author or sponsoring organization has assumed the financial risks and production costs. Books commemorating special events such as Canada's Centennial, company histories, biographies, local interest stories, and stories of interest to special groups of an ethnic, religious or geographic nature have often been commissioned directly to a book manufacturer.

Several companies operating as part of a group have been classified as one company. In cases where this would produce totally meaningless results, for example, where two companies are operating in different areas of book publishing and have somewhat autonomous decision-making, two sets of opinions were sought and tabulated.

- Manufacturers

Manufacturers were classified into three segments. The three sample groups will be identified in this report as Group I, Group II and Group III. The industry segment represented by each group is as follows:

Group I - Companies who have the capability to perform the major book manufacturing component functions of typesetting, printing and binding but who do not publish books and do not engage in other forms of commercial printing as major activities.

Group II - Companies publishing books who perform one or more of the major book manufacturing functions identified above.

Group III - Companies engaged principally in commercial printing but who also print books.

Fortyfive manufacturers were surveyed in total from the following groups:

Group I	-	15
Group II	-	21
Group III	-	9
Total		45

3. Methodology

Initially, interviews were conducted on the basis that a study of the book publishing industry included the English and French language publishing segments and that in fact they were well integrated as indicated in the Statement of Work. However, we found this not to be so and as a result the English and French publishing industries are treated separately with the national profile showing total industry results and the integration of its component parts. Of the original list of publishers to be interviewed, we were obliged to reclassify some because they do not perform a publishing function. With the exception of some very minor publishers and organizations who may publish as a by-product of other activities, the interviewees represent a very large sample of the total publishing activity in Canada. Manufacturers were classified into the three groups identified above with relatively few problems because book manufacturers (Group I) concentrate in manufacturing books exclusively.

It is possible to segregate different classes of publishers, for example: publishers who derive a substantial portion of their income from Canadian derived and authored works, publishers who produce co-editions or simultaneous editions, publishers who distribute principally on behalf of others and publish to maintain their respectability and public image as publisher-agents rather than distributors. For purposes of analysis, it was not necessary to segregate these individuals into categories.

To elicit the necessary information, four distinct questionnaires were designed:

(a) Publishing-Manufacturing - administered to all publishers and manufacturers in Canada as described by the samples used.

(b) Distribution and Purchasing Practices - used for cross-section samples of distributors, wholesalers, retailers, libraries and all 10 provincial education departments curricula directors or equivalent people.

(c) U.S. Publishing - open ended questionnaire used with a selected sample of major publishers to reinforce opinions expressed in Canada and to gather limited statistical information.

(d) U.S. Manufacturing - open ended questionnaire used with a selected sample of major manufacturers to reinforce opinions expressed in Canada and to gather limited information about production facilities.

A personal interview lasting from one to three hours was held with a senior executive of each publishing, manufacturing and distributing company. In addition, a statistical questionnaire was requested. We found the original statistical questionnaire had to be considerably modified and simplified. Even then, considerable difficulties were encountered by a number of publishers in complying with data requests.

The primary statistical data requested from those interviewed in Canada was analyzed by product and customer category identified in parts 23A, B and C in the Statement of Work. Upon testing the probability of receiving accurate data in the minute detail requested, it was decided to limit the detail to a more practical amount. The principal exclusions were requests for number of titles and copies of various product categories. Sales dollars were the basis of measurement used. Even then, considerable difficulty was experienced by many respondents. The statistical data was in many cases incomplete because most respondents could not get information sought from their companies' systems.

IV. VALIDITY OF RESULTS

1. Limitations

Ernst & Ernst has not audited the statistical information supplied. Where doubt existed regarding submitted data, discussions were held with the particular publishers. The data and information on which the following analysis has been done is accurate either to the respondents' abilities to provide data or best estimates supplied by personnel assigned by a given respondent's senior executive. Thus calculations, projections and estimates made by Ernst & Ernst in the following analysis are accurate to the extent that the data submitted is valid.

In most cases, total sales data reported were actual figures. However, the product and customer breakdowns sought were, with only limited exceptions, estimated figures.

Sales data obtained from companies which are subsidiaries or divisions of other companies was usually as accurate as data obtained from separately incorporated companies. Other financial data sought was also supplied by all respondents able to provide it from available information.

We attempted to answer all questions posed in the Statement of Work. We have shown the number of respondents answering each given question, limited only by scattered responses to some questions. As agreed during progress meeting discussions, the shifting of emphasis necessitated because of the test survey results has meant that some questions which were structured and approved by the Department are not answered in their entirety. A notable example is the area concerned with free trade. Most respondents in the publishing sector showed little concern or placed little importance to the subject because, in their view, few restrictions now exist. Where they do exist, the interpretation of tariff legislation has not been overly restrictive.

Comparison with foreign countries has been almost solely limited to the United States which is contributing an increasing share of foreign English language books. United Kingdom involvement in the Canadian book industry has been steadily declining and methods employed there have been used less and less by Canadian publishers. The systems employed in France are recognized in the analysis of the French language publishing segment but little comparative data was available to allow adequate analysis to take place.

No attempt was made to interview or study companies in Canada engaged only in the typesetting or the binding phase of book manufacturing. The study of commercial printers doing book printing was restricted to firms operating in the Toronto and Montreal areas.

Although data was collected on the age and planned replacement date of large pieces of equipment, this information must be considered only a guide in assessing the state of obsolescence of the industry's facilities. Unfortunately, some companies in the industry were unable or unwilling to provide statistical data with the requested breakdowns, thereby making survey results less representative of the industry.

2. Exclusions

Certain areas requiring detailed study were outside the scope of this enquiry. The subject of copyrights is examined in a very cursory manner and no attempt is made to analyze the economic impact of existing copyright protection on the Canadian industry except to mention that certain problems do arise. Other areas identified but not examined in our report are:

(1) the types of assistance sought by the industry and the mechanics of providing these,

(2) the impact of existing tariff legislation, its present interpretation and the changing impact if different interpretation is placed on the legislation,

(3) the assistance required for authors and booksellers in order to get greater contribution of these two elements to the publisher's well being,

(4) the mechanics of publishing and the role various forces play in creating books,

(5) the methods required to increase productivity and profitability of the book publisher and manufacturer,

(6) the cultural and sociological implications of economic actions proposed,

(7) the implications of solutions suggested by respondents.

3. Co-operation

We found respondents to be very eager to discuss industry problems. Individuals connected with the industry in various ways volunteered considerable information and suggested people to contact. A small minority were somewhat suspicious of the Government's interest. On the other hand, most welcomed a study of this nature in an industry where very limited information was available. Confidential sales and profit information was made available by all categories of respondents, regardless of affiliations. A number refused this information partly on the grounds that other departments of Government (principally the Dominion Bureau of Statistics) already had access to much of the data sought and partly because they could not understand the Government's reasons in studying a particular industry except in an investigatory manner. However, we feel that much of the information withheld by these respondents was available through other sources. In our opinion, the results of our survey are not affected materially by these exclusions.

V. A. NATIONAL PROFILE

1. Understanding of the Industry

(a) - Structural and Ethnic Considerations

The book industry in Canada is a mosaic of activities originating with the creative process of the book which takes place in Canada or abroad and terminating with the consumption of the book. There are effectively five different activities which are of a business nature which take place between the original conception and the final consumption. These five activities make up the book industry in Canada. They are:

(a) publishing
(b) manufacturing
(c) importing
(d) distributing
(e) exporting

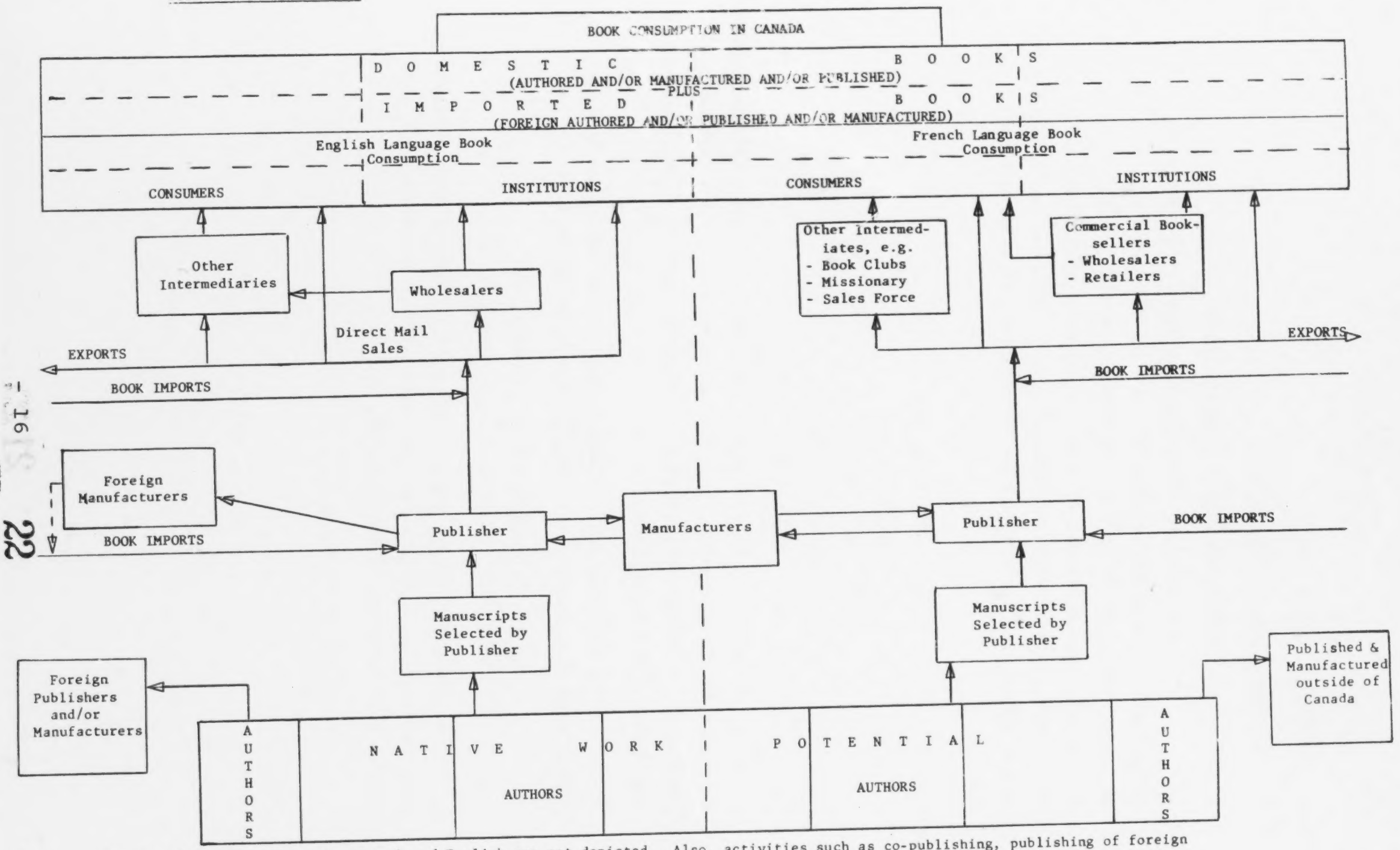
In general, the publishing and book importing activities are performed by the publisher, the manufacturing by one or a combination of publishers, printers, typesetters and binders, and the distribution by the book and non-book trade.

The book industry in Canada has further structure ramifications with the existence of two distinct book industries:

- The French language book industry, and
- The English language book industry.

These two ethnic industries in total make up the Canadian book industry. The following chart depicts both the structural and ethnic peculiarities of the industry.

BOOK INDUSTRY IN CANADA



Note: Books in languages other than French and English are not depicted. Also, activities such as co-publishing, publishing of foreign author manuscripts, etc. are not shown. The charts show principal flows and are not necessarily all-inclusive.

The foregoing chart essentially highlights the following key structural and ethnic dimensions of the industry:

1. The native author potential is not being fully exploited;
2. The domestic manufacturers are a segment of the book industry not necessarily structured on an ethnic basis;
3. The commercial bookseller in the French book industry performs in general both the functions of supplier to institutions and of retailer to consumers; in a number of cases he is also a wholesaler to smaller "libraires";
4. There are a number of ways in which initial thought or research committed to a manuscript by an author is made available to an end user. The author, publisher, manufacturer and customer are often widely removed from one another in terms of nationality, location and mode of operation.
5. The publisher publishes and imports;
6. The institutions consist of school agencies, libraries, and other collective groups of consumers.

(b) - Determinant of the Industry's Performance

The Canadian book publishers determine to a large extent the performance of the overall book industry in Canada. In effect they control the distribution of 73% of the books consumed in Canada. They determine the performance and output value of the book manufacturing segment of the industry by their sales mix of proprietary published books versus imported books. This structural relationship is the result of the economics of book distribution, the geographic location of Canada and the U.S. Copyright Act.

Accordingly, the emphasis in our research was placed on documenting the publisher's role in the book industry in Canada. This role was initially defined as consisting of two main activities: publishing and marketing of original, co-published, translated or adapted books for which the firm has obtained or bought the rights and marketing of imported books under licensed distribution rights from publishers in foreign countries.

As a result of our research emphasis, the two publishing activities in Canada have been documented and reported in publishers' sales dollars. Opinions gathered during our personal interview research have been given prominence on an ethnic basis.

This section summarizes the publishing and manufacturing segments of the industry. The book distribution trade segment of the industry has been researched, documented and reported only to the extent that its activities reveal aspects of the book industry in Canada not unveiled in our research of the publishing and manufacturing segments.

2. Importance of the Industry

(a) - National Consumption

The consumption of books in Canada is estimated at $222 million for 1969. English language books are the most important category of books consumed by Canadians.

1969 Estimated Canadian Consumption by Language of Books Consumed

Language of Books	Publishers' Sales Value (Million $)	%
English	191.7	86
French	27.3	13
Others	3.0	1
Total	222.0	100%

French language books account for 13% of all the books consumed in Canada. Yet, the French speaking population represents approximately 25% of the Canadian population. Does this divergence mean that French speaking Canadians consume fewer French language books than English speaking Canadians consume English language books, or does this imply that French speaking Canadians read as many English language books as they do

French language books? Information obtained from textbook publishers during our research indicates that for every 10 French language text books sold in Quebec, there are 6 to 7 English language text books sold. On the basis of this research data, we conclude that the French speaking Canadian's text book consumption comprises a significant share of English language books. In other book categories (including university textbooks where the level of imports is high) similar results would likely be found.

Books written in other languages are consumed by various ethnic, academic and special interest groups in Canada. Because of their relative unimportance, they have been included for purposes of analysis in the English book consumption mass.

Our calculated estimate* of the 1969 consumption was largely derived from the interviewed and reporting publishing companies. Direct import calculations are based upon results of sampling distributors and institutional users of books.

Canadian Book Consumption
Estimate (1969)

Components	Publishers' Sales Value ($000)	%
. Reporting companies	140,165	63
. Estimated unreported (based on universe and known non-reporting companies)	20,700	9
. Estimated direct imports (books not distributed by universe of publishers)	61,100	28
Total	221,965	100%

* Estimates used in this study are based on sample data extrapolated to obtain populations. "Calculated" estimates differ from estimates because problems of definition and comparability between known U.S. figures and estimated Canadian figures are considered.

These components of the estimated consumption were then segregated on the basis of language in the book:

Canadian French and English Language
Book Consumption Estimate (1969)

Estimate Components	Publishers' Sales Revenue			
	English language Value		French language Value	
	($000)	%	($000)	%
. Reporting companies	126,697	65	13,468	50
. Estimated unreported	18,000	9	2,700	10
. Estimated direct imports	50,000	26	11,100	40
. Total	194,697	100	27,268	100

Note: Books in other languages included in English total.

This chart highlights that French language publishers serve 60% of the French language book market in Canada, whereas the English language publishers serve 74% of the English language book market in Canada.

This data can be further analyzed to show the relative aggregate importance of French langauge and English language books for the portions of the consumption mass served by publishers and that not served.

Relative Importance of English and French
books in publishers' supply mass and direct
import supply mass

Estimate Components	English Value ($000)	%	French Value ($000)	%	Total ($000)	%
. Reporting companies	126,697	90	13,468	10	140,165	100
. Estimated unreported	18,000	87	2,700	13	20,700	100
. Estimated direct imports	50,000	82	11,100	18	61,100	100
. Total					221,965	

The ratio of total books supplied by reporting companies publishing English language books to total of all reporting companies is greater than the corresponding ratio for imported books.

(b) - Output of Canadian Book Publishing Industry

Based on sample results, we calculated that Canadian publishers sold $160.9 million of books in 1969 and $5.5 million of books were exported. Thus, 73% of Canadian consumer demand of $222.0 million was met.

The Canadian publishing industry's involvement in the trade flows of books reflects the significance of imported books in their revenue mix.

Revenue Mix by Manufacturing Origin of Books

Revenue flow of books	Value Publishers' Sales Revenue (Million $)	% of Total Supply
. Books manufactured domestically*	77.2	48
. Foreign made books imported	83.7	52
. Total Supply	160.9	100%
. Exported Books	5.5	
. Supply as % of Canadian Demand ($222.0 Mill.)		73%

* Includes value of books sold in Canada where some of the original typesetting is done outside the country and plates are sent to a Canadian printer for printing and binding.

(c) - Book Publishing Industry's Significance to the Economy

The book publishing industry's 1969 sales of Canadian manufactured books was $77.2 million (including manufacturing of books adapted to Canadian use). Its contribution to the 1969 total Canadian Publishing,

Printing and Allied Industry group was relatively minimal, accounting for 5.6% of the total value added to Gross National Product by the whole industry.

Book Publishing Industry's
Contribution to the Economy

National	Value (Million $)	Book Publishing Value of Books Shipped (Million $)	Book Publishing Value of Books Shipped (% of Industry/ G.N.P.)
Total Estimated 1969 Value added of the Canadian Publishing, Printing, Allied Industry	1,372	77.2	5.6
1969 Canadian G.N.P.	78,300	77.2	0.08
		Value Added by Book Publishing (estimated)	(based on U.S. data)
		52.1	0.06

The Canadian book publishing industry's contribution to the national economy of 0.06% is significantly lower than the United States book publishing industry's value added which accounted for 0.22% of the United States G.N.P. in 1969. Revenue of United States publishers accounted for 0.26% of total G.N.P. In addition, statistics in other countries who have a well developed book industry show that the latter contributes from 0.21% to 0.24% of G.N.P. This therefore indicates that the Canadian book publishing industry has a potential of marketing Canadian made books equivalent to 3 to 4 times their 1969 sales level of Canadian made books.

(d) - International Position

Using publishers' value of books as the criterion, the value of imports into Canada was $144.8. Of this amount, 58% or $83.7 million was sold to and distributed by Canadian publishers, and the remaining 42% or $61.1 million was sold directly to Canadian wholesalers and institutions.

During the year 1969, the Canadian book industry exported $5.5 million.

Estimated 1969 Canadian Book Imports
by Type of Books

Type of Books	Publishers' Sales Value (Million $)	%
Textbooks	56.2	39
Tradebooks	51.1	35
Specialized books	32.0	22
Other books and near-books	5.5	4
	144.8	100%

United States is by far the most important country supplying books in terms of dollar value of imports.

Estimated 1969 Canadian Book Imports
by Country of Origin

Country of Origin	Publishers' Sales Value (Million $)	%
U.S.A.	115.0	80
France	12.0	8
United Kingdom	10.0	7
Other French language suppliers - principally Belgium and Switzerland	3.0	2
Other countries supplying linguistic books - principally Italy, Germany, Holland	3.0	2
Other English language book suppliers (includes reprints)	1.8	1
	144.8	100

3. National Book Consumption

(a) - Analysis of Consumption by type of book

Textbooks are the main type of books consumed by Canadians.

Estimated 1969 Consumption of Books by Type

Type of Books	Publishers' Sales Value (Million $)	%
Textbooks	111.0	50
Trade books	60.0	27
Specialized books	42.0	19
Other books and near-books	9.0	4
	222.0	100%

The above estimates of type of books consumed are revised. We believe these revisions to be accurate and descriptive of the book types consumed by Canadians. They differ from the calculated estimates (based on sample results) which were as follows:

	Publishers' Sales Value (Million $)	%
Textbooks	142.7	65
Trade books	56.8	25
Specialized books	13.8	6
Other books and near-books	8.7	4
	222.0	100%

We revised the calculated share of book types consumed because of known definition problems encountered by certain publishers in reporting their product sales into the four required book classifications.

The logic of our revision was based on the fact that statistics reported in the United States for textbooks are limited to books prescribed for classroom use. With the increased emphasis placed on peripheral reading in schools, the effective textbook market in the U.S. is undoubtedly

higher than the 35% share of book consumption usually quoted. On the other hand, Canadian publishers tend to define textbooks as any books suitable for use in educational institutions. Accordingly, the estimated 65% share of textbooks reported has been overstated from the 50% we have calculated.

(b) - Analysis of Canadian Book Demand by Canadian Customer Categories

Canadian school agencies have the largest single demand for books in Canada.

Estimated 1969 Canadian Customer Book Demands

Canadian Customers	Publishers' Sales Value (Million $)	%
School agencies	88.8	40
Libraries	40.0	18
Wholesalers and retailers	40.0	18
University bookstores	33.4	15
Direct mail and book club	17.6	8
Direct importers not identified	-	-
Others	2.2	1
	222.0	100%

These estimates of book demands by the above customers are revised from the estimates derived from our research findings which were as follows:

	Publishers' Sales Value (Million $)	%
School agencies	84.0	37.9
Libraries	11.4	5.1
Wholesalers and retailers	48.0	21.6
University bookstores	22.2	10.0
Direct mail and book club	22.3	10.0
Direct importers not identified	31.1	14.0
Others	3.0	1.4
	222.0	100.0

We revised our calculated estimates because we believe that direct importers are primarily libraries, and to a much lesser extent wholesalers and retailers, who in turn resell to school agencies. Thus the major increase in share of total demand is calculated to be in the library and university bookstore areas. Furthermore, the wholesalers and retailers relative demand has been decreased by the amount of direct imports for school agencies, university bookstores and smaller libraries. Finally, the mail order business share was modified to reflect sales to others than direct end users such as small orders to universities, bookstores and libraries.

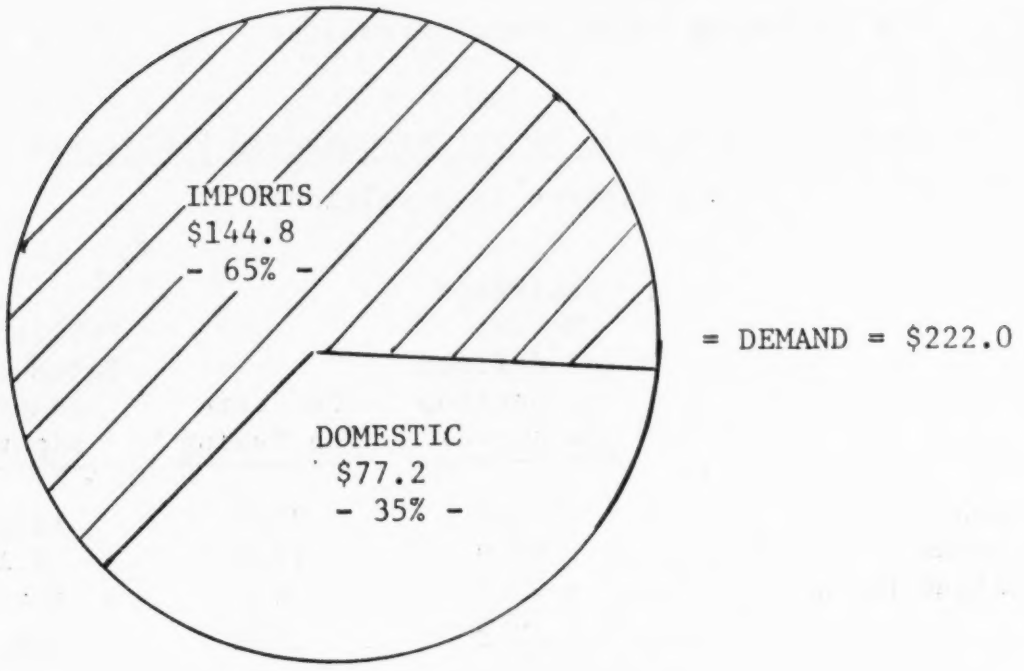
(c) - Analysis of Canadian book demand by Supplier's Country of Origin

Canadian publishers imported book sales represent the single most important supply source to the Canadian national book demand.

Estimated 1969 Source of Supply to Canadian Book Demand

Source and type of Supplier	Publishers' Sales Value (Million $)	%
. Canadian made and published books marketed by Canadian publishers	54.8	24.7
. Canadian made adapted books and marketed by Canadian publishers	22.4	10.0
. Foreign made books imported and marketed by Canadian publishers	83.7	37.8
. Foreign made books imported by Canadian distributors who are not publishers	30.0	13.5
. Foreign made books imported by Canadian end users	31.1	14.0
	222.0	100.0%

This data essentially highlights the overwhelming importance of imported books as a source of supply to the Canadian domestic demand.



Note: Dollar figures are millions.

4. Canadian Publishing Industry's Sales Output

(a) - Summary of Sales by Product Category

ESTIMATED 1969 SALES

(Based on Sample)

Category	Publishers' Sales Value (Million $)	% of Total Sales
Textbooks	107.0	65
Trade books	41.8	26
Specialized books	6.5	5
Other	5.3	4
	160.6	100%

In order to estimate accurately, the percentage of available markets serviced by Canadian publishers, we computed from estimated markets, shares of each type of book and applied computed ratios of markets held by domestic books.

The following table depicts results:

Share of Available Market by Canadian Publisher

(all figures in $ million)

	Estimated Market (as defined in Section 3a above)	Domestic Publishing	Publishing Based on Adapted Rights	% of Available Domestic Market Served
Textbooks	111.0	32.1	13.3	41
Trade books	60.0	17.9	9.1	45
Specialized books	42.0	4.2	n.a.	10
Other	9.0	0.6	n.a.	7
	222.0	54.8	22.4	36

As can be seen, domestic publishers serve a greater portion of the trade book area than any other.

Analyzing product segments, the noticeable fluctuation in the post-secondary textbook and juvenile categories is seen.

(all figures are in $ million)

Textbooks	Estimated Market Size	Domestic Publishing	Published Based on Adapted Rights	% of Available Domestic Market Served
Elementary	41.7	15.3	5.9	51
Secondary	36.8	13.7	4.8	51
Post-Secondary	32.5	3.1	2.6	17
	111.0	32.1	13.3	41
Trade Books				
Non-fiction	24.4	7.2	5.0	50
Fiction	20.2	9.5	3.3	63
Juvenile	15.4	1.2	0.8	13
	60.0	17.9	9.1	45

Analysis of exports indicates that only 73% of exported books were of original Canadian manuscripts. The other 27% consisted of books from adapted rights and books imported for resale.

(b) - Summary of Sales by Customer Category

We have calculated the share of available markets by customer category held by domestically produced books.

(All figures are in $ million)

Market	Estimated Market Size	Publishers' Sales Value: Domestic Publishing	Publishers' Sales Value: Adapted Rights	% of Available Domestic Market Served
School Agency	88.8	32.1	14.7	53
Library	40.0	6.0	2.0	20
Wholesale and retail	40.0	12.2	1.2	34
University bookstore	33.4	1.6	1.0	8
Mail Order and book club	17.6	2.0	3.0	28
Other	2.2	0.9	0.5	68
	222.0	54.8	22.4	35

(c) - Estimated Summary of Output by Type of Copyright Agreement

	Publishers' Sales Value (Million $)	% of Total
Canadian works by Canadian publishers	54.8	34
Foreign works adapted by Canadian publishers	22.4	14
Books imported by Publishers for resale	83.7	52
	160.9	100%

As can be seen, publishers rely on imported books for more than 50% of their revenues. It is in the area of import replacement or increased emphasis on export of books where rights are owned that publishers can make gains. Acquired adaptation rights are very difficult to sell in other markets since these rights are not necessarily valid in those markets.

V. B. ENGLISH LANGUAGE BOOK PUBLISHING

1. Development of Study Sample

Prior to beginning a study of the industry, we attempted to determine the total number of firms engaged in publishing books in Canada. The most accurate criteria we were able to find was the list of publishers who had books in print in 1969. This list revealed 162 companies of which about 110 were in the publishing industry as a regular activity. After initial contact was made, a number of these companies were re-categorized as distributors. We were able to tabulate qualitative results from 68 publishers and quantitative results from 55 of the 68 companies.

We found most publishers willing to co-operate. A number were unable, rather than unwilling, to supply the information sought. Those unwilling to grant interviews were an insignificant part of the industry in terms of sales and "generally accepted accreditation" with industry members. We estimate that companies represented in our qualitative analysis accounted for over 90% of the books in print and those represented in our quantitative data accounted for almost 90% of sales by companies represented in Canada.

2. Structure of the Industry

(a) - Size of Companies

The size of companies can be measured by several yardsticks. Sales reported were only for those products identified as books and non-books in the Statement of Work. Three principal measures we adopted were: sales, shareholders' equity and number of employees.

Sales (1969)	Number of Publishers	% of Publishers in Sample
$ < 1 (million)	37	55
1-1.99 million	11	16
2-2.99 million	5	7
3-3.99 million	1	1
4-4.99 million	1	1
> 5	6	9
Refused to answer	7	10
	68	

Shareholders' Equity	Number of Publishers	% of Publishers in Sample
$ < 1 (million)	39	57
2-3.99 million	11	16
4-6.99 million	1	1
> 7	1	1
Unable or refused to answer	16	24
	68	

Number of Employees	Number of Publishers	% of Publishers in Sample
< 99	43	72
100-199	10	17
200-299	3	5
300-399	3	5
> 400	1	2
	60	

This industry has several large firms, but is principally dominated by a number of small firms having less than $2 million sales volume and relatively low capital investment. For that reason, a number of new companies have entered the field. A total of 8 firms which supplied statistical information are less than 5 years old, although some are subsidiaries of foreign companies established in Canada in this period. The reason for this situation is attributed to lack of barriers to entry. Only 29 of 63 respondents felt significant barriers to entry existed. Of those that did, 25 identified initial investment as the most significant barrier. Fear of foreign competition and possible infusion of additional capital into existing businesses if new successful business appeared was mentioned by 11 executives. Other barriers mentioned were:

	Number of times mentioned
- prohibitive Canadian tax laws	5
- lack of government encouragement and/ or funding	4
- copyright laws	3
- technical skills required	2

Most publishers referred to the risk of publishing and the capital investment required to enter the industry. However, these statements were refuted by many smaller but successful publishers, many of them having other business interests. This group concluded that risks are always undertaken where satisfaction (usually profits but also non-pecuniary factors) is to be gained. They also felt it is easy, perhaps too easy, to enter the market and earn profits.

Were publishing the sole criterion, investment exceeding 7 million dollars and employment greater than 300 would be attained by only one company. Most companies in Canada employ personnel primarily in sales and distribution activities. Small numbers are employed in editing and production.

(b) - Profitability

Two basic measures of profitability were used: net profit on sales volume and net profit on invested capital.

Net Profit as % of Sales	Number of Publishers	% of Publishers in Sample
< 2	16	24
2 - 3.99	10	15
4 - 5.99	9	13
6 - 7.99	6	9
8 - 9.99	5	7
> 10	2	3
Unable or unwilling to disclose	20	30
	68	

One third of respondents reporting profits indicated net margins of less than 2%. More than one quarter realized margins of more than 6% generally considered quite favourable in this industry.

Net Profit as % of Invested Capital	Number of Publishers	% of Publishers in Sample
< 2	10	5
2 - 3.99	1	2
4 - 5.99	2	3
6 - 7.99	3	5
8 - 9.99	4	6
> 10	21	32
Unable or unwilling to answer	26	38
	67	

Of respondents answering the question, 24% indicated profits to be less than 2% on invested capital. However, 61% earned more than 8%, the approximate opportunity cost of holding money in a bank account or bond.

Net Profit Related to Sales Volume

	Profits as % of Invested Capital					
Sales Range	Less than 2%	2-4	4-6	6-8	8-10	More than 10%
Less than 1 million	8	1	2	1	3	8
1 - 1.99 million	0	0	0	1	1	6
2 - 3.99 million	0	0	0	0	0	1
4 - 4.99 million	1	0	0	0	0	0
More than 5 million	0	0	0	0	0	3

Note: Numbers in matrix represent number of respondents in the given category.

Relating profits on invested capital to sales ranges, it can be seen that the larger firms generally earned more money and in most cases, small firms were in the vulnerable position of earning very marginal return. Using another basis of measure, relating net margin on sales volume to sales ranges, the largest margins were achieved by two publishers with less than $1 million annual sales. The four largest firms all recorded margins of 4-6% and 13 of the smallest firms recorded less than 2% net margin.

(c) - Integration

Integration in the English language publishing industry is principally horizontal and the trend is towards more horizontal integration and less vertical integration.

Vertical

Operations Performed	Number of Publishers	% of Publishers In Sample
Publishing only	52	80
Publishing & Printing	4	5
Publishing, Printing & Binding	0	0
Publishing, Typesetting	1	2
Publishing, Typesetting & Printing	2	3
Publishing, Typesetting, Printing & Binding	6	10
	65	100

Twenty percent of publishers interviewed have some manufacturing facilities, but only 10% are full integrated. When queried about trends in the industry, only four respondents felt their growth plans include acquisition of manufacturing activities. The main activity is expected to be in typesetting as a trend towards computerized typesetting by publishers is occurring.

Publishers were asked if they noticed integration trends within the manufacturing segment. Results were inconclusive.

- 18 respondents felt integration of typesetting, printing and binding was taking place,
- 5 felt integration of printing and binding was occurring,
- 15 felt the trend was towards contracting specialty houses for typesetting, printing and binding.

Horizontal

We have defined publishers to be horizontally integrated if they produce more than one type of book. Accordingly, 70% of publishers are now integrated and 25% of all publishers forecast that their firms will become integrated or more integrated in the future.

Books Produced	Number of Publishers	% of Publishers in Sample
One type only	19	30
Two types	20	32
Three types	10	16
All four types	14	22
	63	

Questioned further on their involvement in the various segments of the publishing industry, respondents indicated heaviest involvement in trade books where 66% of all surveyed published books. Textbooks were produced by 65% of all publishers surveyed, specialized books by 57% and other books by 42%.

(d) - Financial Control

Based on numbers of publishers owned in Canada, the degree of foreign domination expected is not readily seen.

Country where financial control is held	Number of Publishers	% of Publishers in Sample
Canada	34	50
U.S.A.	24	35
U.K.	9	13
Other	0	0
No answer given	1	1
	68	

Fifty percent of companies interviewed are Canadian controlled. Of the 34 companies, 25 reported sales data accounting for 61% of the total reported sales. U.S. publishers controlling one third of the companies by number accounted for 24% of total sales reported by 15 of the 24. This can be explained by the number of Canadian agent publishers. If pure publishing activity is considered the Canadian, United States, United Kingdom ratio is calculated to be 19-59-22. Over 80% of publishing done in Canada is done by foreign controlled firms.

Foreign control is a subject many Canadians have discussed for some time. The role played in the publishing industry in Canada is only partially reflected by the above statistics. Most Canadian controlled publishers supplement their revenues considerably by acting as agents for foreign publishers. In terms of value of books sold and number of titles handled, over 70% of books sold in Canada do not have material editorial alterations. This figure is somewhat lower if we include those books where Canadian publishers make only minor modifications to editions where the major thoughts are left intact. The fact is that, of the 25% of total books produced and published from domestic sources, 80% are published by foreign controlled firms means that only about 5% of all books sold are authored, published and manufactured by Canadian controlled publishers.

In answer to a question dealing with the effects of foreign ownership, the following comments were made:

	Number of Publishers Indicating Advantage	Number of Publishers Indicating Disadvantage
- Capital availability	34	2
- Increased return on investment	9	3
- Best interests of Canada because more books are made available	7	30
- Decision making by best available talent	6	27
- Customers demand representation of international firms	2	12

The biggest advantage cited was the increased availability of capital. Most respondents questioned did not become overly concerned with the overall detrimental effects of foreign controlled publishers. Many good corporate citizenship cases were cited. The desire to quench a thirst for knowledge exists among all publishers but those who have fewer vested interests may be tempted to create demand for goods they produce and not react sufficiently to demands of the market. Particular significance must be placed on the general unwillingness of textbook publishers to modify United

States editions to Canadian requirements. In most cases, economics of publishing short runs is cited and sociological or cultural implications are treated as secondary. Where the Canadian and United States editions are produced on a simultaneous basis, however, the changes or additions can be made at considerable less cost than modifying already produced manuscripts. Publishers doing this now have found this method to be workable but many publishers do not have capabilities in Canada and must rely on United States editors to produce special material for Canadian use, a more costly method sometimes resulting in error-filled or inaccurate manuscripts.

(e) - Location of Activities

The publishing activity is heavily concentrated not only in Ontario but within a distinct part of an area of northeastern Metropolitan Toronto where 30 companies have their head offices. Thirtyseven others are in the central core of Toronto. The concentration pattern is very similar to that found in the United States where the majority of publishing activity is found to be in a ten by three block area of Manhattan and in the New Jersey area bordering New York. Much smaller concentrations in the Boston and Chicago areas can be matched in Canada if the French language publishers of Montreal and Quebec City are included. The English language publishing activity outside Ontario consists almost entirely of several small firms and one large publisher of trade books in Montreal.

(f) - Operating Characteristics

Characteristics unique to the publishing industry were sought in our research. We identified a number of items requiring particular emphasis. Specifically excluded in our analysis was the subject of copyrights. We understand that the Economic Council study due shortly deals with the economic effects of existing and proposed copyright legislation.

The following areas were examined:

(i) Ranking of Factors Considered by Publishers Selecting a Book Manufacturer or Printer.

Like many other industries, price and quality are the overwhelming considerations in selecting a manufacturer.

Number of Publishers Ranking 1st or 2nd Choice

	1st	2nd
1. Price	32	24
2. Quality	33	19
3. Service and Delivery	2	8
4. Production Facilities	5	4

Composite Ranking (Aggregate totals divided by number of respondents)

1. Price	...	1.59
2. Quality	...	1.66
3. Service	...	3.47
4. Production Facilities	...	3.78
5. Geographic Location	...	5.56
6. Typesetting Arrangements	...	6.00
7. Distribution Facilities	...	6.70
8. Bookbinding Arrangements	...	7.16
9. Size of Printer (sales, etc.)	...	7.16

The location of the printing activity was not a major factor, but when asked where publishers prefer printers to be, most felt the Toronto area was the most logical, followed by the area close to Toronto such as Owen Sound and Lindsay where printing facilities are presently located. Publishers feel that good communication and occasional on site inspections are mandatory and therefore, they prefer to be within easy commuting distance from the plant.

(ii) Royalty Arrangement Used

Publishers prefer to have authors assume some of the publishing risks. They prefer to pay authors only after the sale is made.

	Number of Publishers	% of Publishers
Percentage of Sales	27	49
Advances charged off	17	31
Lump sum payments	6	11
Salaries	3	5
Payments based on anticipated sales volume	2	4

Lump sum and advance payments are more prevalent with publishers who contract for textbook or specialized professional books where the final output is known within broad parameters. Some publishers have authors on salaries or retainers to perform this function.

Publishers in Canada must compete with publishers in other countries, particularly the United States, for rights to publish works of all well known Canadian authors. These authors favour United States publishers for two reasons:

- a larger market and greater emphasis on promotion and distribution means more potential royalty revenue;

- income averaging and other considerations such as tax write-off where royalties do not reward the author for time incurred in writing a book favour authors declaring income in the United States.

(iii) Assistance Rendered to Authors

Authors, according to opinions expressed, received assistance more often from government and university agencies than from publishers. Only 20 of 68 respondents assist the author in getting technical information, including financial assistance in having data gathered and analyzed. Public

agencies were a better source of help. Thirty-nine people identified libraries as being sources of information, 25 indicated government agencies, and 21 university research groups. Five people indicated trade associations as a source of assistance.

When asked about their firm's role and government support, the following information was gathered:

Firms' Roles in Assisting Authors

	Assist	Do Not Assist
Market research to determine demand	17	5
Grants to write books	1	11
Sponsorship of funds at universities	2	12
Other means such as advances	38	4

A considerable number of companies provide no assistance or encouragement to others, relying on finished manuscripts or negotiation for rights with no financial involvement until the works are finished.

Government Support of Canadian Authors

Publishers felt governments at various levels should assist authors, but in their opinion, this assistance to date was generally inadequate.

	Number of Publishers
Adequate	15
Inadequate	46

Reasons given by those indicating inadequate support

1. Exodus to foreign publishers - 18 respondents
2. Inability to generate enthusiasm and financial interest in creative writing - 9 respondents
3. Original manuscript must be financed by special interest bodies initially - 9 respondents
4. Existing support programmes not generally known.

Cultural programmes mentioned

1. Canada Council grants - 54
2. Ontario Arts Council grants - 2
3. Others - 0

Other programmes mentioned

1. National Research Council grants
2. Special interest group grants (having support from Government funds).

(iv) Market Research

The subject of research raised some discussion. While 55 of 65 publishers answering the question claimed to do research, most quickly explained that any research done in Canada is very cursory. Only 34 could identify a specific programme or approach used to research the market. Expenditures on research at best consist of reviews of secondary data and salesmen's call reports. No one identified to us any market research personnel working full time (it is possible some firms do have a regular programme administered through the marketing executive, however).

(v) Channels of Distribution

Virtually all publishers interviewed sold books in a variety of ways, and in competition to their own customers. In other words, publishers are willing to honour and respect trade discounts but at the same time, do not hesitate to sell to anyone interested in buying.

The most common method of distribution cited, in fact, was directly to the end user. This is partly so because most textbook manufacturers sell to school boards or provincial education buying sources. Mail order sales are particularly heavy for trade book publishers who maintain regular customer lists. Most of these are smaller retailers who have particular affinity for a certain type of publisher or book such as Canadian literature. Other books are sold directly to individual customers but because a book is easily shipped by mail to customers, little pressure has been seen from the booksellers' bodies to prevent this situation.

Many publishers have relied on wholesalers and distributors in the past. That situation still exists but the type of service performed by these middlemen is changing rapidly. Instead of exclusive distributors, wholesalers who represent all publishers or can obtain books from all publishers have emerged. These wholesalers perform a packaging and classification service primarily for libraries who buy numerous titles but limited copies of each. Wholesalers are thus placing large orders with a publisher and then breaking up these to provide libraries with their one of a kind copies, along with copies from other publishers releasing books at the same time. The librarians' jobs are thus simplified. They rely also on distributors to inform them in many cases by computer controlled automatic stocking plans, of all new books in given subject areas.

Distribution in Canada is a many faceted business. A number of publishers admitted their policies were hazy and they preferred to keep them that way. For example, a distribution company owned by a syndicate of publishers to distribute books on their behalf failed to perform its role partly (administrative problems were also involved) because many publishers failed to provide the necessary support and in fact competed for

the desirable contracts directly. Other instances of direct selling, slow delivery to regular customers and manipulated methods of charging freight and postage costs means that confusion exists in the minds of customers interviewed.

A further problem confronting the Post Office particularly is the increasing role of the mails for distributing book club editions originating outside the country. The increasing use of computerized mailings has meant centralization is becoming more prevalent. The United States book mailing rates, which are lower than Canadian rates, favour big direct mail institutions in considering moving all facilities to United States mailing points to combat increasing distribution costs. If this move becomes more prevalent, the Post Office in Canada will incur further loss of revenue without a reduction in cost, thus necessitating increases in rates for mailing books in Canada. Booksellers have voiced many complaints about the high mailing costs, particularly on back ordered items and special orders where small quantities are involved.

Questions dealing with distribution policies illustrated that there is some distrust of publishers by retailers, institutions and wholesalers. More than one quarter of respondents felt co-operation was poor.

Co-operation Between Customer Groups and the Publishers

	Good	Poor
1. Wholesalers and distributors	33	13
2. Retailers	34	15
3. Institutions and other direct customers	37	16

Note: Numbers indicate publishers answering the question.

Publishers report that small customers are making distribution costly, selling on consignment necessary, and costs of book returns high.

Book returns of hardbound books sold principally through trade outlets averaged 9.4% of sales for 57 respondents answering the question.

Book Returns	Number of Publishers	% of Publishers
<5% of sales	22	38
5-10%	17	30
>10%	18	32

Relating to sales volume, only respondents with greater than $5 million sales showed an average of less than 5% book returns (4.8% of sales).

Sales Range		% of Sales in Book Returns
$1 million	(28 companies)	9.8
1-1.99	(10 companies)	9.8
2-2.99	(5 companies)	9.6
3-3.99	(1 company)	12.0
4-4.99	(1 company)	15.0
5	(6 companies)	4.8

The special case of mass market distribution needs some elaboration.

Mass market paperback distribution is somewhat different than traditional hardbound book distribution. Many paperbacks are not only conceived and produced in a very short time period but must also be distributed quickly to give retailers maximum stocks when national promotional campaigns reach their peak. Distributors having virtual monopolies of the magazine and paperback outlets in concentrated geographic areas are used extensively by publishers. Whereas traditional book retailers rely on their knowledge of the market to order stocks, the onus for stocking retailers with mass market paperbacks is on the distributor. Most stocks are placed, arranged and changed by the distributor who assumes the respon-

sibility for in-store promotion kits, featuring titles and inventory control. Replenishment of stocks is on a daily basis in high traffic areas and usually at least on a weekly basis even in rural general trade outlets.

As a general rule, a distributor has full responsibility for titles appearing in retail outlets since these outlets pay for books only after they are sold. Thus, distributors do not hesitate to "pull titles" that do not sell within a seven day period. For that reason, up to 35% of all titles produced are pulled from the shelves of most retail outlets within one month of initial publication. The other reason for the high percentage of returns is the availability of shelf space relative to the number of new titles on the market. It is estimated that the average outlet in Canada has access to at least 250 new titles per month but in many cases has room for less than that number in total (including titles produced in previous time periods which are still selling well).

Distributors use test outlets extensively to measure movement of books and rely heavily on sampling techniques to determine inventory levels. Should certain titles prove to be extremely popular, reorder quantities are quickly sought from the publisher. Because the turn around time is often a few days, book publishers usually have either stocks available at the manufacturer's warehouse or agreements with manufacturers for additional runs of fast moving titles to be made available on several days' notice.

Because most of the major mass market paperback publishers have their publishing offices in the United States and United Kingdom, titles available to the market and inventory levels are controlled from those points. Canadian personnel are largely concerned with sales and customer support. Most publishers have used Canadian book manufacturing facilities to print, bind and handle physical distribution of books made from plates typeset in the United States and United Kingdom. In a number of cases, invoicing is done on Canadian letterheads but remittances are handled directly by offices in other countries. Thus, books sold in Canada bear Canadian made labels but in fact little of the administrative, if any, and none of the editorial work is handled by employees in Canada.

(vi) Management Capabilities

The industry in Canada is operated by two distinct groups of executives. The small firms are predominantly managed by articulate professionals who have either an editorial background or a sincere and deep interest in the arts, particularly in their role in promoting Canadian works. The larger firms are heavily oriented towards the executive with sales and marketing experience. Much of this can be attributed to the evolvement of these publishers from agency representations which may point out one of the real weaknesses of the industry. Sixty percent of the respondents felt that marketing management within their own industry was weak even though marketing men were many of the dominant figures in the industry.

Management Capacity in the Publishing Industry
(as expressed by the managers themselves)

	Excellent	Adequate	Weak
General Management	15	29	15
Technical and Editorial Management	22	29	9
Production Management	20	24	14
Marketing Management	10	25	23

Note: Numbers represent number of respondents.

Degree of Management "Sophistication" in the Publishing Industry
(as compared to other industries requiring similar management talents)

	Very	Somewhat	Little
1. General Management	8	16	34
2. Production Management	10	24	21
3. Financial Management	7	17	31
4. Marketing Management	4	18	33

Note: Numbers represent number of respondents.

Most Important Source of Senior Management in the Publishing Industry

(results expressed by company respondents)

1. Marketing/Sales - 39 companies
2. Editorial/Technical - 12 companies
3. Finance/Control - 3 companies
4. Production - 1 company

Background of Present Chief Executive

	Developed From Within	Hired Outside
1. Marketing/Sales	27	7
2. Editorial/Technical	8	6
3. Finance/Control	7	2
4. Production	2	2

Note: Numbers represent number of companies.

Publishers were asked whether they felt the industry officials were concerned with certain key elements of management. Many felt that market research was definitely inadequate and modern management techniques were not being applied as well as they could be. Very few felt that agement was greatly concerned with the four areas we discussed.

Area of Management	Great	Average	Inadequate
Modern Management & Philosophy	2	28	29
Technology, Planning and Change	7	37	13
Modernization of Methods	6	34	16
Market Research	2	20	35

The results in the charts help to explain the inabilities of the industry in creating a healthy and vigorous image.

(vi) Formal Training Programmes

	Yes	No
Management	25	33
Skilled Workers	11	33

Note: Numbers represent number of companies in each category.

While many small companies undoubtedly cannot afford training programmes, it is somewhat surprising that only 25% of the companies train skilled workers formally and less than half of the companies have management training. This result, when related to opinions expressed about the general level of management sophistication in the industry and emphasis on progressive techniques, would indicate that improvements in selection, training and retention would have considerable bearing on improving the stature of the industry.

(vii) Government Financial Support of Publishers

Previously, publishers indicated that government support of authors could be improved. An overwhelming majority felt support of publishers was required as well.

1. Adequate - 11 respondents
2. Inadequate - 52 respondents

Reasons given for indicating inadequate support

1. General indifference to the industry - unwillingness to accept its cultural if not indirect economic role in the economy - 52 respondents;
2. Inadequate copyright legislation - 8 respondents;
3. Unwillingness to enforce existing tariff legislation and encourage tighter protection - 5 respondents;
4. Forcing continuation of agency/distribution business through lack of support of original publications - 5 respondents.

Financial Support received within last year

1.	Yes	- 6
2.	No	- 52
3.	Unable or unwilling to declare	- 2

If Yes, type:

1.	Canada Council grants	- 6
2.	Ontario Development Corporation grants	- 2

(g) - Selected Costs

The major expenses of publishing paid out are royalties and manufacturing costs. In the United States, considerable operating data has been gathered on the various administrative costs of doing business. Inasmuch as these were not a part of our analysis, we simply point out that editorial expenses in the United States average 5.2% of net sales. Other expenses incurred are marketing, 17.5% of net sales of which selling expenses are 7.5% of net sales and promotion expenses are 12.0%, distribution costs 7.0% of net sales, administrative 14.1% of net sales. Costs of book returns are deducted from gross sales and all calculations are then made on net sales.

(i) Royalties

	Number of Publishers
Less than 10% of sales	18
10 - 15%	34
More than 15%	6

Mean = 9.3% Mode = 10% (frequency = 12)

Average percentage of English language publisher gross sales represented by royalties is 9.3%. It is lower than amounts paid by publishers of French language books which average 13.4%. This compares favourably with United States data where the average cost last year was 15.7%. The lower figure in Canada can be largely attributed to a greater concentration in the textbook field where royalty payments are considerably lower and 5% royalties are not unknown.

Relating royalty expenses to size of companies, the largest companies (publishing mainly textbooks) pay the lowest royalties.

(ii) Manufacturing Costs

Costs of manufacturing books in Canada as a percentage of revenues is not noticeably different than in the United States. This is so largely because book prices reflect manufacturing costs and Canadian prices are considered to be somewhat higher than United States figures.

Manufacturing costs reported as a percentage of sales (those applicable to books published by respondents only).

	Number of Publishers	% of Publishers
Less than 25%	17	30
25-34	13	23
35-44	15	26
More than 44	12	21

Average manufacturing costs reported were 32.6%. This figure is somewhat lower than the reported United States figure of 36.1%. Including all taxes and transportation costs, we have calculated manufacturing costs to represent approximately 40% of net sales revenues and have used this figure in calculations for the manufacturing analysis section.

(h) - Trade Associations

Useful services provided as identified by respondents interviewed indicated that either services provided were not fully understood or services provided were inadequate to allow member firms to utilize them effectively. We believe the latter is the case because many respondents indicated that statistical information provided has not been completely consistent nor is the effort in promoting industry unity and total representation to outside bodies such as government agencies been particularly effective. The number of respondents answering the question dealing with services provided must be considered as being answered most adequately by the 41 members of the Canadian Book Publisher's Council included in this survey because the Council is the only trade body to which a majority of respondents belong.

When asked to relate services provided, the following comments were recorded:

	Number of Publishers	% of Publishers
- Useful domestic industry data supplied	19	39
- Useful foreign industry data supplied	7	14
- Assistance in market research provided	7	14
- Effective voice in lobbying	16	32
	49	

When asked what services should be provided, 24 respondents indicated that industry lobbying should be done by trade associations. Twenty respondents have requested additional, more meaningful industry statistics. It can be seen that there are two divergent points of view of the present and future role of trade associations. Many felt however, that lobbying and information can both be provided effectively by trade associations.

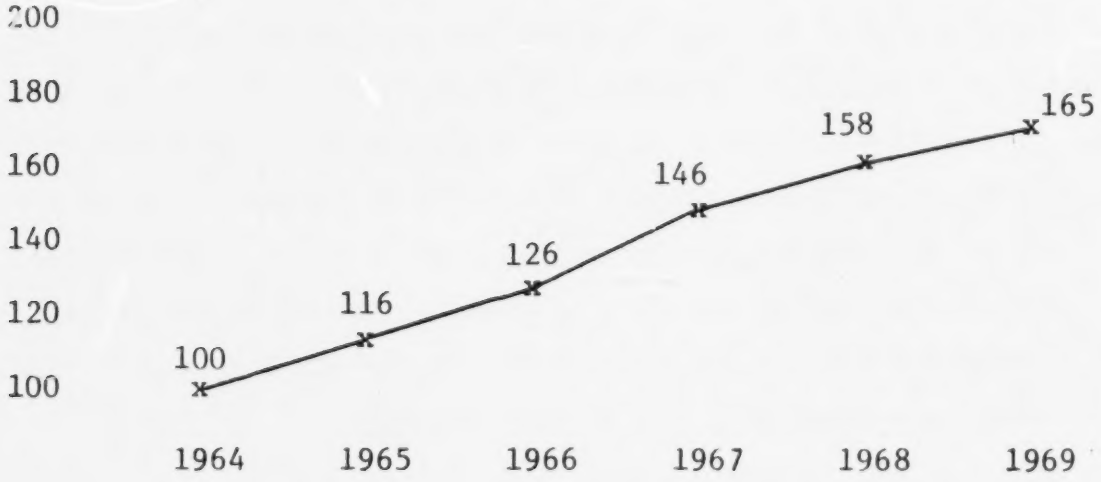
Trade associations with which respondents were associated varied considerably. A Canadian Book Publisher's Council membership list included 42 companies (counting financially related companies as one). Only one member did not participate in the survey. Other associations mentioned were the Canadian Book Manufacturers' Institute (4 respondents since reduced to 3 by a resignation), Graphic Arts Industries Association (6 respondents), Canadian Library Association (4 respondents), Education Reference Book Publishers' Association (6 respondents) and 13 other related groups such as regional affiliations of national associations.

3. Structure of the Market

(a) - Growth Trend

(i) Reporting Companies

A total of 36 publishers were able to supply historical sales data from 1964 to 1969. The growth index for these firms is depicted below:



A steady growth rate averaging 13% annually has been experienced by these firms which accounted for 81% of 1969 sales volume of the reporting English language book publishers. This growth is slightly greater than growth of GNP.

Aggregate sales of all reporting companies in 1969 was $126,697,000. We have included in this figure companies acting principally as Canadian agents for foreign publishers, but who nevertheless form a part of the primary book distribution business.

Relating sales trends for the 1964 to 1969 time period, increases are dramatic partly because a number of United States publishers have established facilities in Canada.

Publishers' Sales Value ($ Mill)

Year	1964	1965	1966	1967	1968	1969
Number of Respondents	36	42	47	47	48	54
Aggregate Sales ($000)	61,359	75,000	84,479	100,512	111,806	121,552
Average Sales per Respondent ($000)	1,700	1,770	1,790	2,140	2,300	2,240

Publishers of English language books reporting sales trend information showed an increase in average sales per respondent. The average sales figure is quite representative because 16 respondent companies reported sales in the $1 - 3 million range. The typical medium to large firm in Canada could be defined as having sales of $2 - 3.5 million annually. The small to medium firm is in the $1 - 2 million annual sales range. Most textbook publishers have sales exceeding the industry average, while trade-book publishers are generally below that average.

On a per reporting publisher basis, a slight growth is noticed in the 1964-1966 and 1967-1969 periods with a rapid change during 1967. At least part of this noticeable increase can be attributed to the increased emphasis on books during the 1967 Centennial year.

(ii) Industry Performance

The sample reporting sales is representative of the total industry in Canada. We estimate that up to $18,000,000 is generated annually by companies not reporting data to us. This figure includes estimates of sales ranges given during interviews and comparison data obtained from secondary sources.

A sample of respondents representing major institutional buyers of books purchased through sources in foreign countries 24.7% of all purchases made. This result is likely higher than the national average because the institutions surveyed were generally large buyers and found considerable economies in "buying around" despite increased costs of processing orders. It was expressed to us that smaller buyers would not gain these advantages.

Direct mail sales by book club publishers add greatly to the total of imported books by-passing publishers. We estimate that $50,000,000 is spent with foreign publishers, mainly in the United States and United Kingdom. This accounts for about 26% of the total market and represents a potential sales gain to the Canadian publishing industry of 35%.

Our estimates of publishing revenue generated by publishers of English language books in Canada is $62,800,000. However, not all this publishing revenue is derived from books conceived, edited and produced by Canadian publishers. Since books are produced in Canada from plates originating in other countries and from re-run plates, it was not possible to determine that portion of the total revenue derived from books totally produced in Canada. Data of this nature developed in the United States are not relevant as a guide because new editions produced there for the first time from new manuscripts range from about 10% to 90% of sales revenue depending on the type of publisher, sales growth pattern and editorial policies.

(iii) Growth Plan

Publishers see the changing role of books in education and leisure but there is no large scale movement to producing non-book products such as films and records by the traditional book publishers. With some notable exceptions, most of the interest in this area results from communications

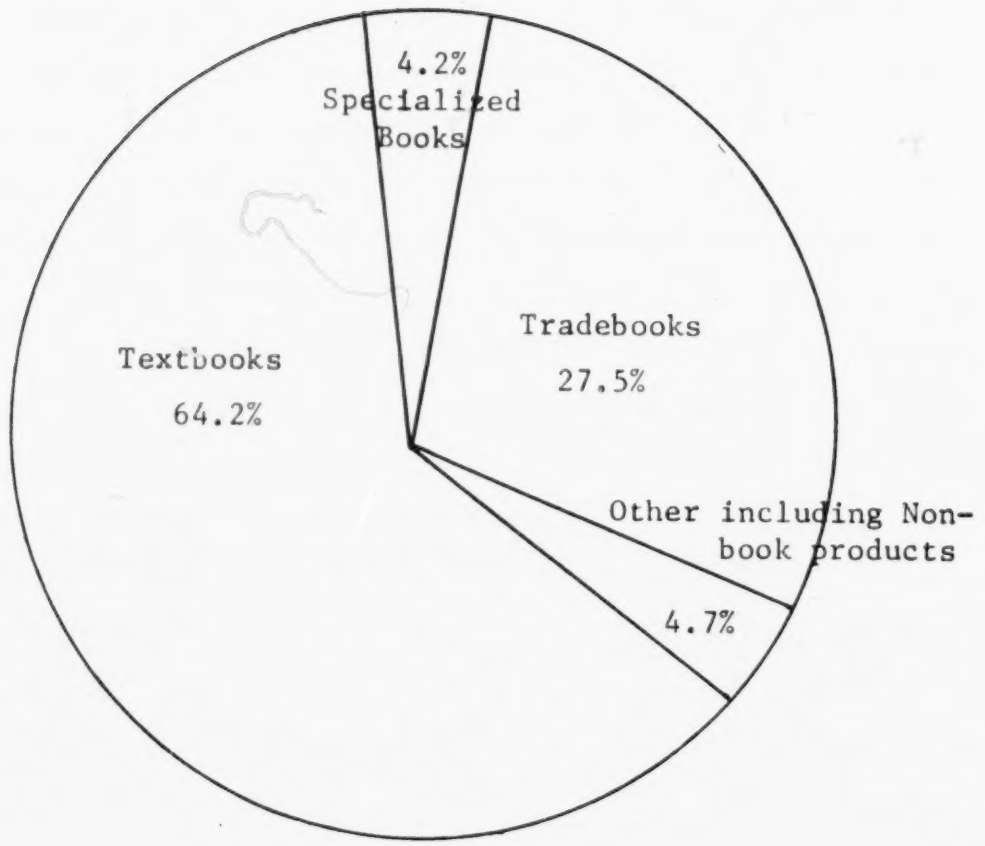
companies acquiring book publishers and then providing much of the diversification impetus. The major impetus in non-book educational products has come from an emerging group of companies, many of whom have begun to produce software to complement hardware lines such as audio visual equipment. This industry has shown dynamic growth but only limited participation by traditional book publishers.

In the statistical returns, 10 respondents indicated sales are presently being made in non-book product categories. Disc records, often produced in conjunction with traditional books (for example, language instruction) were the largest source of revenue. Films (principally 16 m.m.) were also important with reel and cassette tapes becoming increasing sources of revenue.

Most (60 of 68) publishers forecast increasing sales of existing product lines. Only 4 feel that existing lines have reached market saturation. A total of 55 feel that their companies are capable of developing new related product lines (in some cases matters of definition between existing and new products caused problems). This includes moving from textbooks to tradebooks or from hardbound tradebooks to mass market paperbacks as well as into new unrelated subject areas such as medical books to law books. Twentysix people felt external acquisition of product lines offered opportunities. Only sixteen, however, forecast interest in the near future of acquisition of other publishers, four saw prospects of vertical integration, principally into some of the distribution rather than manufacturing functions. Five companies felt the traditional steady growth of book publishers put them in a position to look at new unrelated fields and one respondent felt vulnerable to being acquired by a conglom erate.

(b) - <u>Product Sales</u>

Publishers reported detailed product sales breakdowns. From the sample selected for its representative nature and relative importance to the whole industry, the following revenue mix constitutes publishers' income.



Textbook sales based upon our sample represent 64.2% of total sales, somewhat lower than in the French language sector. This can be attributed to the smaller role by English language publishers in producing books for the school market because United States books are more readily adaptable than, for example, books written in France for use in French language schools.

(i) Textbook Sales

The breakdown of textbook sales for the sample from which accurate data was available indicated that 38% of sales were in elementary school books, 38% in secondary and 24% in university and post-secondary texts. If the publishing activity by domestic publishers publishing books in Canada is analyzed, the results are dramatically different. About 46% of total sales are elementary books, 45% are secondary books and only 9% are for post secondary uses.

These results are contrasted below with data from a survey of United States textbook sales. The higher portion of post-secondary textbook sales in the United States may be attributed to export sales as well as the greater prevalence of post-secondary education. It seems likely that the post-secondary textbook percentages for Canadian sales and publishing will increase.

Textbooks

	U.S. Sales	Canadian English Language Sales	Canadian Domestic Publishing Sales
Elementary	37%	38%	46%
Secondary	21	38	45
Post-secondary	42	24	9
	100%	100%	100%

(ii) Specialized Books

Sales of specialized books break down into four classifications. The largest classification is supplementary school materials.

Specialized Book Sales

Book Type	%
. Supplementary school material	57
. Other school printed and bound material	20
. Directories, Almanacs and Encyclopedias	20
. Printed unbound educational material	3
Total specialized books revenue	100%

(iii) Trade Books

An analysis of Canadian trade books sales by publishers and their revenues from publishers reveal adult non-fiction books to be the largest segment. Comparative United States sales information does not separate fiction and non-fiction.

Trade Books

	Canadian Publishers' Sales Volume	Canadian Domestic Publishing Sales	U.S. Sales
Adult fiction	23%	39%	
Adult non-fiction	46	55	78%
Juvenile	31	6	22
	100%	100%	100%

(c) - Market Segmentation

English language publishers with total sales of $109,400,000 reported a breakdown of their sales by market. Over one half of the sales are to schools or school agencies. Also shown below is an estimated analysis of the total Canadian English language book market.

Market Analysis

	Publisher Sales	English Language Book Market
School Agencies	54%	34%
Libraries	7	18
Wholesalers and Retailers	12	18
Mail Order and Book Club	11	11
University Book Stores	10	15
Exports	2	3
Other	4	1
	100%	100%

There are several limitations to this analysis. For example, books going to libraries may be purchased either directly from the publisher or bought from a wholesaler or retailer. Therefore some books that are purchased by libraries would be classified by publishers as sales to wholesalers or retailers. Similarly sales to university book stores shown

in the above analysis are only sales made directly by publishers to university book stores. Another limitation is due to the fact that no one way was used by publishers to classify direct shipments to end-users when invoices were sent to a wholesaler or retailer. Also, there is reason to believe that the 2% for exports is lower than actual as at least one significant publisher did not report any of his export sales.

The differences in breakdown between publisher sales and total market are caused by direct book importing. Libraries and university book stores are major importers.

(i) School Agencies

The school agency sales of publishers is divided by province as shown below.

School Agency Sales

Province	%
Newfoundland	5
Nova Scotia	5
New Brunswick	5
Prince Edward Island	1
Quebec	9
Ontario	41
Manitoba	7
Saskatchewan	5
Alberta	12
British Columbia	10
	100%

It should be noted that the above analysis is a breakdown of English language publisher sales and does not reveal the relative levels of provincial textbook purchasing as provinces vary in their use of books imported directly from foreign publishers and book-sellers. However, several provincial textbook agencies did reveal to Ernst & Ernst their total textbook purchases from Canadian English language publishers. Very close agreement was found to exist between reported publisher sales and agency purchases.

(ii) Libraries

Publisher sales to libraries break down according to the percentages shown in the table below. Also shown in the table is an estimated analysis of the total Canadian library market for English language books.

Library Sales and Market

	Publisher Sales Volume	Total Estimated Library Market
Public	27%	18%
Elemental School	26	30
Secondary School	12	13
University	17	39
Unclassified	18	-
	100%	100%

Publishers were not able to classify a significant portion, 18% of their library sales by type of library. Proper classification of the 18% would naturally alter the percentages shown for each type of library. The differences in breakdown of publisher sales and total market are caused by libraries, particularly university libraries, directly importing books.

(iii) Exports

On the basis of our sample, we estimate that the majority (about 99%) of all exports involve books where the reporting publishers owned rights to the book. Of books sold to foreign markets, approximately 73% are manufactured in Canada. The other 27% is made up of two elements, books exported by distributors who have, in turn, imported these books and also books sold by publishers who have had the books manufactured in countries other than Canada.

(d) - Publishers' Sales by Country of Origin

Product category breakdowns by country of origin indicate textbooks to be the only category where the major portion of sales are domestically published.

Examining total imports as a percentage of total sales by individual publishers, a wide range of results were noted. Revenue generated by imported products was approximately 50% of reported sales. Also, approximately 50% of all imported books are sold by English language publishers (as opposed to pure agents or distributors) on an agency basis. The rest are sold by agents importing for resale and direct imports by users of the books.

	% of Total Reported Sales	
	Domestic	Foreign
Textbooks Total	63	37
Elemental	73	27
Secondary	60	40
University	13	87
Tradebooks Total	n.a.	n.a.
Fiction	46	54
Non-fiction	59	41
Juvenile	4	96
Other Products	46	54
Non-book products	1	99

4. Problems confronting the Publishing Industry

To determine the problems facing the industry a survey of publishers, manufacturers, distributors and users of the books produced was carried out. A most common problem is the relative small size of market when compared to the United States and United Kingdom. Further compounding the situation is the vast geographical size of the country a..d the distribution problems associated with products that are bulky relative to value. The "buying around" situation was mentioned by about 50% of respondents but the situation is most acute in certain types of books, notably university texts and reference books. Other problems frequently mentioned were the general lack of interest in Canadian authors by Canadian publishers and the resultant exodus of the author or his manuscript to the United States and other foreign publishers, inadequate copyright protection offered Canadian publishers, including poor protection from those photocopying copyright works, and the general unwillingness or timidity of Canadian publishers in assuming the necessary risks. The varying provincial educational systems created problems to some publishers but most have been able to overcome this by producing books of a more general nature or negotiating with several provinces at the same time to produce books which are compatible to a number of educational systems.

The problems were summarized on the basis of number of respondents mentioning the problem.

1. Small market - 44 respondents
2. "Buying around" the Canadian agent - 36
3. Inadequate copyright legislation including lack of reciprocity and lack of protection against photocopying - 19
4. Lack of support of Canadian authors by Canadian Publishers - 11
5. Timidity in assuming publishing risks - 10
6. Varying specifications set by provincial educational text buying authorities - 6

As can be seen from the above list, most of the problems facing the industry can be solved at least in part by the industry itself through increased co-operation, pooling of risk taking and a strong unified front. Marketing in Canada has always been difficult for companies trying to use methods employed successfully in countries or areas where dense population and proximity to customers exists. However, successful marketers have been able to overcome many of these problems by selective strategies. The houses that have concentrated on profitable marketing rather than volume selling have found ways to conquer the market. Much of the success has been attributed to less bombardment of retailers with large inventories which often go unsold and more emphasis on quick servicing of small to medium size orders, or of using modest initial stocking orders as a base for determining reorder quantities. Several publishers have concentrated in reaching a certain type of public which they believe will create the initial demand necessary to assist in getting the necessary promotion of their books. Others have concentrated in particular areas of interest, reprints or special editions which can be sold profitably with limited investment in marketing.

When users of books were questioned, the tone of their answers was slightly different. They were more concerned with:

1. Poor communications - publishers in their view do little to support the trade, provide the information requested and live up to their role of informing others of current trends in the industry.

2. Poor service - advertising claims are seldom met. Many respondents pointed out that books advertised by agents frequently turn out to be unavailable when ordered and upon investigation, instances where the agent had no rights to the book have been found. To stimulate better service, the Canadian Booksellers' Association created an award for publishers. While the winner selected met the necessary qualifications, few other companies could be seriously considered.

3. Role of publishers not being filled - institutional users in particular have a feeling that publishers sell imported books as an easy way to escape their obligation of making information public without assuming the necessary risks.

Further examination of publishers' own views indicated concern about the service now being provided. The school textbook market was the only one being adequately served in the publishers' own view.

Degree of Services Provided by Canadian Publishers in Various Product Categories

	Excellent	Good	Fair	Poor
1. School textbook market	16	31	6	4
2. University and college textbook market	11	17	19	10
3. Adult fiction market				
- hardbound	6	27	15	8
- softbound	9	25	12	10
4. Adult non-fiction market				
- hardbound	10	23	17	8
- softbound	8	23	17	8
5. Professional book market	7	16	15	6
6. Religion	7	16	15	6
7. Juvenile	8	19	20	4
8. Reference materials	8	22	14	8

Ranking of Market Categories Above in Order of Services Provided

1. School textbook market - 29 respondents
2. Adult fiction market - softbound - 7 respondents
3. University and college textbook market - 6 respondents
4. Adult fiction market - hardbound - 5 respondents

Queried on support offered the Canadian customers by publishers, less than 50% felt it to be adequate. The results were:

Adequate	29
Inadequate	34

Some bases for answers were given:

1. Customer demands are not being met and customer is being forced to go outside the country - 18 respondents
2. Poor service and distribution by publishers where prices are competitive - cases of misrepresentation where advertised goods are not in inventory - publication dates or initial stocking orders are not met or filled as promised - 18 respondents
3. Canadian authors are unable for various reasons to have their books published in Canada, e.g. lack of authorship grants, unwillingness by publishers to take necessary risks - 6 respondents

5. Solutions Suggested by Publishers

Publishers offered a number of solutions:

1. Insist that provincial educational buyers (including libraries) spend tax dollars in Canada - 10 respondents
2. Insist on federal import restrictions - 17 respondents
3. Strengthen own industry by helping aggressive but struggling companies and policing marginal operators unwilling to meet set standards - 11 respondents
4. Co-operate with provincial textbook purchasing agencies in getting interprovincial specifications and co-ordinated requirements - 10 respondents
5. Stronger and more unified voice of one trade association representing all publishers - 6 respondents

Many felt there were definite things that could be done by provincial and federal governments but these should only be used when industry officials have exhausted their own means. For example, textbook purchasing policies can be improved in the following ways:

1. Central buying within the provincial system - 17 respondents
2. Co-operation among provinces to allow longer runs to be made and lower prices to be passed on to the schools - 17 respondents
3. Longer lead times on new orders especially. Budget appropriations are seldom more than a formality for required textbooks - 9 respondents
4. More emphasis on buying to support Canadian industry - 8 respondents

Rather than a direct support of the industry, creation of additional demand, particularly at the institutions, can provide considerable impetus to the publishing industry. This was particularly evident in the United States after the federal government provided considerable monies to build up libraries at the elementary and secondary school levels in 1964-1965. While it can be argued that some of this money would automatically flow out of the country, the challenge has been presented to the Canadian publisher to produce books which can satisfy the demand. Most librarians interviewed have indicated that within budget limitations, they will stock any book written by Canadians or depicting the Canadian scene.

The industry in Canada is facing problems to a certain extent similar to those facing publishers in other countries of the world including the United States. On a relative basis, publishing firms are small compared to firms in other industries. Profit margins are erratic and the industry is run more as an artistic and creative endeavour than a money making business. The situation in Canada is further compounded by the fragmentation resulting from two official languages and the membership structure of major book publishers' trade associations. Without a strong

unified voice, the industry has been unable to make the impact and strides forward in the manner many members would like. Some steps taken by the Canadian Book Publishers' Council to include smaller independent publishers as members will undoubtedly strengthen the English speaking publishers' voices, but until a strong co-operative effort is developed with the Conseil Superieur du Livre, the role of trade associations within the industry will remain inconsistent and sporadic.

Customer requirements in Canada generally parallel closely those of customers in the United States. A compounding problem to librarians is the confusion which arises when a book is available from both a United States and United Kingdom publisher. Until an exclusive numbering system adhered to by all countries is adopted, Canadian customers in many cases find themselves seeking two books and Canadian suppliers are put to considerable expense. Because the market for many titles is limited to libraries, particularly academic libraries, many Canadian suppliers do not find it worthwhile to stock the limited quantities. For publisher-agents to receive a commission on the sale they would have to receive the order and place it with a supplier in another country. Librarians find this procedure to be too time-consuming and prefer to deal directly with suppliers who carry inventories. Only in isolated cases have librarians bypassed suppliers in Canada who have books in stock. In most of these cases, opinions expressed to us were that these suppliers were suffering in delivery and service and took a very nonchalant attitude to customer need. One leading Canadian-owned publisher was continually singled out as being totally unconcerned about customer requirements to the point where his own published works were available from foreign wholesalers who placed bulk orders and distributed to Canadian customers before the publisher himself was willing to serve his Canadian customers.

The role of the Canadian publisher in the international marketplace has to be carefully examined. Our research was inconclusive on this point. Free trade in particular was a subject many publishers were not too concerned with and hence could not offer solutions to problems not

facing them. A few were not able to state conclusively their feelings about import duties. This can be partly attributed to the fact that textbook publishers and importers have little concern with tariff legislation, since they deal with exempt books.

Effect of Free Trade with the U.S. on Individual Book Publishers in Canada

	Higher	Lower	Little Change
Sales	23	9	30
Profits	21	10	31
Modernized facilities	16	4	42
Specialization	14	4	44
Sophisticated Management	13	6	43

Some publishers of English language books see a rewarding role for themselves in a free trade economy but fewer of them feel that they will have to improve their mode of operation to do so. This can be interpreted to mean either that the Canadian industry is considerably more developed than its United States counterpart, or the Canadians are unaware of the differences in the two countries and expect to do better simply because a larger market is made available to them. It is doubtful if either of these reasons are valid. Sales and profits could increase, for example, at the expense of much higher degree of specialization. Profits may rise but traditionally they will accrue to fewer firms able to compete in a now more competitive situation. Industry rationalization would undoubtedly have to take place and marginal firms identified as being inefficient and protected by existing tariff protection. Twenty four of 55 respondents felt such marginal firms existed and would be vulnerable. Eleven respondents felt that tariff protection is a necessary barrier to prevent others from entering the market although most of these firms are now represented

in Canada by subsidiaries. However, the publishing activities now performed by some of these foreign controlled firms would be further eroded by reduced tariff protection.

6. Summary

In summary the following points as interpreted from publishers' comments highlight certain solutions to the industry's problems and customer concerns:

1. tighter control and better representation of the industry by its own people through trade associations.
2. more emphasis on paperbacks and lower priced books to offset demands of a smaller market.
3. more support of a strong distribution system through the trade and through well defined and policed distribution policies.
4. pooling or spreading of risks among several publishers where a proposed book could serve a national purpose.
5. encouragement of greater co-operation between public printers such as the Queen's Printer in using existing facilities for distribution and, in turn, having subsidized outlets where free enterprise is not able to fulfil its role.
6. demanding of subsidies only if private means through increased co-operation fail.
7. acting to become more international by concentrating on increasing exports, not decreasing imports. The quest for knowledge knows no boundaries and the publishers who succeed will be those that react to international demands, not those that hide behind protected walls. A recent example of a Canadian publisher being asked to publish a work for a foreign group is an excellent example of what can be done.

8 encouragement rather than legislation to induce publishers to produce works for the domestic market at home.

V. C. FRENCH LANGUAGE BOOK PUBLISHING

1. Development of Study Sample

We selected 46 publishers of French language books from the 1969 list of books in print and defined it as our study universe. We contacted these publishers to enlist their co-operation. Of the 46 publishers, 31 participated in the study. The 31 participating publishers were in general most co-operative in expressing opinions on the state of the industry and of their company. However, such co-operation was not experienced in that part of our research programme aimed at gathering detailed operating data. Only 18 of the 31 original participants revealed their respective operating data as requested by Ernst & Ernst.

The reason given by most of the 13 non-contributing publishers was the unavailability of the data caused by one or a combination of the following factors:

- confidentiality policy;
- rudimentary accounting and operating records;
- consolidation of the operating data of the publishing activity with the operations of the foreign head office or with other activities (e.g. manufacturing, retail, etc.) in the book industry in Canada.

Also, some publishers did not report the information because of the time and effort involved. This was not a significant reason since Ernst & Ernst offered the publishers their assistance in preparing the returns. In general, all participating publishers were pursued until either the statistical information was obtained or co-operation was refused.

We estimate that the 31 companies represented in our qualitative analysis accounted for almost 90% of the French language books in print in Canada, and the 18 publishers represented in our quantitative data accounted for 40% of total French language book publishers sales in Canada. A comparable base is not totally meaningful because the 18 publishers produce substantially more than 40% of the books in print. Imported books account for the difference between share of market and share of books in print.

2. Structure of the Industry

(a) - Size of companies

The publishers' answers on the size of their publishing concern highlight certain key characteristics of the French language book industry in Canada.

Sales

1969 Sales	Number of Respondents	% of Respondents
Less than $1 million	18	64
1 to 1.99 million	2	7
2 to 2.99 million	7	25
3 to 3.99 million	1	4
	28	100%

Sales of the majority of publishers interviewed rarely exceed annually $1 million.

Shareholders' equity

Shareholders' equity	Number of Respondents	% of Respondents
Less than $1 million	22	92
1 to 1.99 million	2	8
	24	100%

The initial capital outlay required to enter the French language book publishing industry in Canada is relatively small. Because of this factor and others, French language book publishers feel there are no significant barriers to entering their industry or markets. In effect, 17 of the 21 interviewees who commented on the question of barriers to entry expressed that there were no major barriers to entry in the form of initial capital outlay or Canadian laws and regulations.

Number of employees

Employees	Number of Respondents	% of Respondents
0 to 99	26	87
100 to 199	3	10
200 and over	1	3
	30	100%

The publisher of French language books in Canada generally employs a limited number of people. As several respondents mentioned, one of the important keys to success is concentrating limited resources in the editorial aspect of book publishing. A number of these publishers added that, provided one had a sufficient number of competent people capable of detecting and imparting literary and scientific values to a book, then other functions such as manuscript search, market research, promotion and general administration could either be centered around one or two key people or left to the other segments of the book industry.

Profit

Net Profit Margin (Profit after taxes/sales)	Number of Respondents	% of Respondents
Less than 2%	15	52
2% to 3.99%	5	17
4% to 5.99%	4	13
6% to 7.99%	1	4
8% to 9.99%	1	4
10% and more	3	10
	29	100%

The average French language book publisher has not only a small volume of business but also a marginal rate of return on his sales. To many of these publishers, the profit motive has not been the main objective of their publishing activity.

In general, these results highlight, in the French language book publishing industry in Canada, a type of publishing firm which:

- generates a small sales volume;
- has a small amount of invested capital;
- employs a limited number of people;
- experiences a small net profit margin.

(b) - Profitability

The following profitability analyses highlight to some extent certain publishing economies of scale in the French language book segment of the book industry in Canada:

Sales	Net Profit Margin	Number of Respondents		% of Respondents	% of Respondents
Less than $1 million	less than 2%	11		65	42
Less than $1 million	2% and more	6		35	23
			17	100%	
$1 million and more	less than 2%	2		27	8
$1 million and more	2% and more	7		73	27
			9	100%	
			26		100%

Whereas 73% of the publishers with sales over $1 million in 1969 had a net profit margin of 2% or more, only 35% of the publishers with sales less than $1 million reached the same profit margin. This correlation of sales output with rate of return on sales volume can be explained partly by interviewer observations regarding the greater emphasis in the larger publishing companies on marketing and, to a lesser extent, research and development of manuscripts.

(c) - Integration

Vertical Integration

Operations	Number of Respondents	% of Respondents
. Publishing, typesetting, printing, binding	5	17
. Publishing, printing, binding	1	3
. Publishing, printing	2	7
. Publishing	22	73
	30	100%

Nearly 30% of the publishers have printing facilities. All but one expressed their intention to keep their printing facilities. The majority of these publisher-printers disclosed that 90% or more of their published books were printed on their presses. Furthermore, some of them indicated their plan to reduce the importance of the captive printing market which their own publishing represents by increasing their book printing revenues from non-integrated publishers.

With respect to distribution, less than half of the participants distribute books published by other publishers. However, more than 30% of the publishers have their own retail bookselling operations.

When asked about their future plans for growth, 20% of the participants indicated that part of their future growth will come from acquisitions of manufacturers and/or customers.

Regarding vertical integration in the manufacturing sector, the French language book publishers in the study feel that it will not be a growing industry trend.

Opinions	Number of Respondents	% of Respondents
. trend towards integration	9	32
. trend towards separate contracts	19	68
	28	100%

Nearly 70% of the publishers interviewed expressed that the trend in the industry was towards the allocation of separate contracts for each manufacturing phase because of the benefits resulting to them from a more rational and economical use of manpower and equipment. Most believe that specialization will result in a higher quality product, at a more competitive price, with a higher profit margin.

Horizontal Integration

We defined publishers to be horizontally integrated if they produce more than one type of book. When asked how many types of books they published, sixteen publishers answered one type and fifteen answered two or more types of books.

Type of Book	Number of Respondents		% of Respondents
- Specialized publishers: (one type only)			
..textbooks	5		16
..specialized books	5		16
..novels	6		19
		16	
- Diversified publishers:			
..2 types	10		32
..3 types	3		10
..4 types	2		7
		15	
		31	100%

Approximately half of the publishers are horizontally integrated with two or more types of books.

When questioned on their projects of expansion, five publishers indicated that they plan to acquire companies similar to theirs to broaden their product mix, thus indicating a trend towards future horizontal integration.

Publishers were also asked to reveal the types of books published. As shown by the following table, textbooks and trade books are the most widespread types of books published by the French language book interviewees.

Type of Book Published	Number of Respondents	% of Respondents
Textbooks	18	58
Trade books	17	55
Specialized books	14	45
Others	5	16

(d) - Financial Ties

Of the 31 publishers participating in our study, 28 were Canadian owned, one was a subsidiary of a United States controlled company and two others had financial ties to France.

These 3 publishers with foreign financial ties, while representing only 10% of our sample, accounted for 40% of the 1969 calculated aggregate book sales of our sample. Imported book sales represented 47% of the 3 publishers collective 1969 book revenues with domestic manufactured books accounting for the remaining 53% of their aggregate sales.

This sales mix can be compared against the 28 Canadian owned publishers aggregate book sales mix which shows that imported books accounted for 12% of their 1969 aggregate revenue, with domestic manufactured books accounting for the remaining 88%.

Foreign control was a subject which interested the majority of the participants. Most of the interviewees commented that foreign owned publishing subsidiaries will become more prevalent in the French language book market in Canada.

In effect, when questioned on foreign ownership, nearly 60% of the interviewed publishers mentioned that the lack of tariff barriers, import restrictions and protectionist measures would result in a gradual invasion of the local market by an increasing number of foreign owned publishing companies whose main purpose would be to import rather than publish and manufacture domestically.

Most of the interviewees were unanimous in pointing out the considerable financial advantage of foreign ownership over domestically owned publishing companies.

Several textbook publishers commented that while it would be desirable from a cultural and profit motive standpoint for the Quebec Department of Education to approve only French language textbooks made in Canada, economic advantages of imported textbooks in certain subjects just do not permit the government to implement such a policy. They added that the onus was on publishers to acquire from foreign publishing sources, translation, adaptation and/or distribution rights for these imported books. This, according to these interviewees, would eventually make it more attractive for foreign publishers to market their books in French Canada via the established publishers in Canada rather than via foreign owned subsidiaries set up only for the purpose of selling imported books.

(e) - Location of Activities

The majority of the respondents are located in the most important French language book market areas.

Area	Number of Publishers	% of Publishers
Montreal	22	71
Quebec	6	19
Other locations in Quebec or Ontario	3	10
	31	100%

(f) - Operating Characteristics

The following information, gathered from the interviewees, outlines certain important aspects of the relationship between publishers, printers, authors and the trade, and highlight certain characteristics of the interviewed publishers.

(i) Factors considered in the choice of a printer

Respondents were asked to rank by order of importance the following factors which they consider in selecting a printer:

- Service (order-delivery cycle)
- Production facilities
- Geographic location
- Price of printing
- Quality of printing
- Bookbinding contracts offered by the printer
- Size of printer (sales, assets)
- Distribution facilities offered by the printer
- Typesetting arrangements.

A weighted average analysis of the respondents' answers shows that quality and price of printing are the two most important factors considered when choosing a printer; then follows by order of importance:

- Service
- Production facilities
- Typesetting arrangements
- Geographical location
- Distribution facilities
- Size of printer (sales, assets)
- Bookbinding contracts

All but a few of the respondents mentioned that printers in the Montreal and Quebec City areas have the necessary facilities to satisfy their needs.

(ii) Royalty Arrangement Used

The most widely used type of royalty is a fixed percentage of the retail price of actual sales.

Type used	Number of Respondents	% of Respondents
. Payments in lieu of royalties	8	28
. Advances charged off	4	14
. Estimating market's potential sales	1	4
. Salaries	1	4
. Percentage of Sales	14	50
	28	100%

Another popular method is the outright purchase or a lump sum payment to the author regardless of the sales level which will be experienced. In this case, the publisher bears all of the risks.

A number of publishers pointed out that the characteristics of the French language book market in Canada compels them to share with the authors the risk involved in marketing their books. According to them, only the percentage of retail price formula enables them to minimize liquidity and profitability problems.

(iii) Assistance to Authors

Sixty-five percent of the publishers interviewed assist the authors they publish in one way or another. The type of assistance provided by this group can be broken down as follows:

- 40% supply information as well as literary, linguistic and technical advice on the form which the final manuscript should take;
- 40% provide grants to authors in the form of research bursaries or advances;
- 30% provide composition assistance;

- 25% supply basic information and sponsor material research necessary to the drafting of a manuscript which is often ordered by the publisher;
- 25% research the market to determine the demand for the author.

These are the main forms of aid to authors provided by the publishers. Omitting the financial aspect, the publishers' assistance to authors can be summarized to consist principally of technical co-operation in the development of the manuscript.

(iv) Market Research

Of the 27 publishers who answered the question, "Do you research the market that you sell or plan to sell?", 52% indicated they conduct some market research for the books they plan to sell while 48% do not perform any kind of market research. The following techniques are used to define the market:

- statistical analysis and forecasting of the demand; this method is used by 6 publishers;
- opinion, habit, attitude surveys of potential readers; this method is used by 13 publishers.

The majority of the publishers who research the market underlined during their comments that the research performed was cursory and not sophisticated.

(v) Channels of Distribution

Of the 29 publishers who commented on this point, one or a combination of the following channels of distribution is used:

Channels Used	Number of Publishers	% of the 29 Respondents
. Book sellers	26	90%
. Other middlemen and direct sales	21	73%

Most of the French language book publishers in Canada distribute their books through commercial booksellers or "libraires". For many publishers, the bookseller is a distributor to the school boards and libraries, and a retailer to the consumer. However, a number of publishers commented during the interviews that they were considering bypassing the bookseller in the distribution of their books to the school boards and libraries. This intention on the part of certain publishers highlights a certain dissatisfaction. In effect, when publishers were asked whether an effective and beneficial relationship exist between them and the following types of firms in the industry, they answered:

Type of Firm	Yes	No	No Opinion	Total No. of Respondents
. Book manufacturers	21	1	3	27
. Wholesaler, retailers	11	10	5	26
. Institutional customers	17	1	6	24

Thus, approximately half of the respondents which had an opinion on the state of their relationships with "libraires" indicated that they do not have an effective and beneficial tie with them.

Interviewed publishers do not experience a very high percentage of book returns to total gross sales.

Book Return as a % Gross Sales	Number of Respondents	% of Respondents
Less than 5%	15	67
5-10%	5	24
11% and more	2	9
	22	100%

(vi) Management Capabilities

Participating publishers were asked to comment on the quality of management in the book publishing industry. Of those that commented, the range of responses was from adequate to weak.

Management Type	Quality			
	Excellent	Adequate	Weak	Total
. General management	5	3	6	14
. Technical (and editorial) management	5	3	7	15
. Production management	5	3	7	15
. Marketing management	3	5	7	15

Approximately half of the interviewees did not comment on this subject.

Generally, the participants felt that the publishing industry was marketing oriented; however they stated that the marketing management in the industry left a lot to be desired in terms of ability or performance. One of the reasons stated was that marketing managers in a number of publishers do not have an adequate market research ability.

Market Research Ability in the Book Publishing Industry

	Number of Respondents
Adequate	6
Average	5
Inadequate	8
	19

When questioned on the sophistication of the management in the publishing industry as compared to other industries, 40% of the interviewees expressed an opinion.

Management Type	Degree of sophistication in the publishing industry			
	Very	Somewhat	Little	Total
General Management	1	1	10	12
Production Management	2	2	8	12
Financial Management	1	3	8	12
Marketing Management	1	2	9	12

The consensus among those stating an opinion was that generally the management in the publishing industry is not sophisticated and well versed in sound management principles and practices.

Finally, according to a number of participants, the marketing and the editorial/technical functions are the main source of senior management for most publishers.

(vii) Training programmes

Less than 20% of the participating publishers have a formal management training programme. This apparent minimal preoccupation with training on the part of publishing management can largely be explained by the fact that the majority of the interviewed publishers are small firms.

(viii) Government Assistance

Publishers were asked to reveal whether they had received any funds from the Federal or Provincial Government in the form of development grants or programmes.

Responses	Number of Respondents
No	10
Yes	12
Do not know or do not wish to state	9
	31

Even though some had received grants, the majority of publishers stated that the governments have not done enough to stimulate the growth of their industry.

Have Governments Done Enough	Number of Respondents
Yes	1
No	19
	20

(g) - Selected Costs

Information was gathered on the relative importance of selected costs in the publishing industry.

Royalties

Eighty percent of the 28 publishers who answered the question dealing with size of royalty payments stated that royalties represent between 10 and 15% of their gross sales.

Royalties	Number of Respondents	% of Respondents
Less than 10%	5	18
10 to 15%	22	79
16% and more	1	3
	28	100%

The mode of royalty cost for all responding publishers is 10%.

Manufacturing costs

Half of the 25 publishers who revealed their manufacturing costs stated that manufacturing costs represent between 25 and 34% of their gross sales.

Manufacturing costs	Number of Respondents	% of Respondents
Less than 25%	4	16
25% to 34%	12	48
35% to 44%	6	24
45% and more	3	12
	25	100%

The average of manufacturing costs for the 25 publishers is 34% of gross sales. This figure is calculated to be closer to 40% of sales if publishing of books from adapted rights is excluded and all transportation costs and taxes are included.

(h) - Trade Associations

Membership

Publishers of French language books in Canada are members of several trade associations.

Trade Association	Number of Publishers	% of the 28 publishers answering this question
. Conseil Supérieur du Livre	24	86%
. Canadian Book Publishers Council	19	68
. Canadian Book Manufacturers Institute	4	14
. Canadian Library Association	13	46
. Graphic Arts Institute	4	14
. Printers Industry of America	3	11
. American Association of University Press	1	4
. Book Manufacturers Industry	2	7

Although Le Conseil Supérieur du Livre is closed to foreign owned publishers, it is the most representative association of the French language book publishers in Canada.

Appraisal of services rendered

Lobbying was the service most frequently mentioned and found the most useful by the respondents. Of the 23 publishers who commented on the types of services rendered from their associations:

- 8 mentioned domestic industry data reports,
- 7 mentioned occasional reports on the performance of foreign book industries,
- 6 stated the assistance in market research,
- 16 stressed lobbying.

In addition, several publishers underlined particularly the long term benefits to the native industry of "Le Conseil Supérieur du Livre" efforts in promoting and distributing Canadian published books in foreign francophone countries.

Although a number of publishers seem to ignore all of the services presently offered by their trade associations and appear to judge the usefulness of their associations primarily on the success of their claims to the various government agencies, the majority of the respondents remain nevertheless interested in their trade associations. In effect, 21 of the 31 interviews suggested that the following services be introduced or improved:

Service	Number of Publishers	% of the 21 publishers answering this question
. Wide scale promotion and distribution of French language books published throughout Canada and abroad	13	62 %

Service	Number of Publishers	% of the 21 publishers answering this question
. Collect and publish data on the operations of members and statistics on present and potential markets	8	38
. More efficient lobbying	7	33

Also, two publishers in their comments on the trade association questions suggested that both French and English Canadian industry associations should be united under one governing body.

Finally, some publishers, during the interviews, deplored the closed door policy to foreign owned publishers of certain associations. It was felt by the publishers that this exclusion practice deprives the native membership of valuable knowledge and skills, for example, in marketing books abroad.

3. Structure of the Market

(a) - Growth Trend & Output Value

(i) French Language Book Publishing Industry's Sales

Of the 31 French language book publishers who participated in the study, 26 reported their actual book sales revenues for 1969. The sales for the five publishers who did not disclose their sales volume were estimated on the basis of sales ranges given during the interviews and secondary sources of information.

The calculated aggregate sales output for 1969 of the 31 members in the sample of $15.1 million.

Total Sample French Language Book Sales
- 1969 -

	Publishers' Sales ($000)	$ Value (%)
Total Reported Sales (26)	13,468	90
Estimated Unreported Sales (5)	1,600	10
Total 31 publishers aggregate sales	15,068	100%

The 26 publishers who reported their 1969 book sales revenues submitted actual import book sales data or their ratio of revenue from imported books to total book sales. Simiarly, the 5 non reporting firms submitted their import book sales ratio.

Total Sample French Language Canadian-made and import book sales (1969)

	Publishers' Sales $ Value ($000)		
	Domestic	Imports	Total
Total Reported Sales (26)	10,243	3,225	13,468
Estimated Unreported Sales (5)	848	752	1,600
Total 31 publishers aggregate sales	$11,091	$3,977	$15,068

Books manufactured in Canada and marketed by companies in this sample accounted for $11.1 million of their aggregate book sales revenue with imported books accounting for the remaining $4.0 million.

On the basis that our sample of 31 publishers accounted for 90% of the French language books in print in Canada, we extrapolated their sales of Canadian manufactured books to the 100% level. Accordingly, we estimated the total 1969 French language book publishing industry's sales at $16.2 million.

Total 1969 Estimated Sales of French Language Book Publishing Industry

	Publishers' Sales $ Value ($000)	($000)
Sample's Sales of Canadian made books - 90% of total	11,091	
Publishers not surveyed, sales of Canadian made books - 10% adjusted, of total	1,100	
Total Industry 1969 sales of Canadian made books	$12,191	12,191
Reported sales of imported books		3,977
Total 1969 Sales of the French Language Book Publishing Industry		$16,168

(ii) Canadian consumption of French Language Books in 1969

Eighteen (18) publishers reported their 1969 sales by customer groupings. The aggregate sales of these 18 reporting companies represent 40% of the 1969 total estimated publishing industry sales.

Their collective sales results by customer were as follows:

Commercial, Bookseller, Distributor, Others	54%
School agencies	29%
Libraries	16%
Export	1%
Total Sales	100%

In order to derive a consumption estimate of French language books, we assumed these results to be representative of the total industry's distribution mix.

School agencies and libraries accounted for 45% or $7.3 million of the industry's 1969 revenue. Based upon a sample of respondents representing institutional buyers of books, purchases through sources in foreign countries amount to 25% of all purchases made. Assuming this to be representative of the institutions buying books from the French language book industry, this means that the collective purchases of $7.3 million was equivalent to 75% of total purchases. Total purchases were thus $9.7 million of which $2.4 million was imported directly.

"Libraires" and other specialized distributors accounted for 54% or $8.7 million of the industry's 1969 revenue. Based upon a 1967 survey by the Quebec Government Department of Industry and Commerce, where book sales of 77 "libraires" were reported at $27.5 million, we estimated the 1969 French language book sales through this channel to be 29.0 million retail dollars or 17.4 million publishers sales dollars. On this basis, this distribution channel purchased $17.4 million of French language books of which half or $8.7 million was supplied by the industry. consequently they purchased directly from non French language book publishers or from foreign suppliers the remaining $8.7 million.

Consumption in 1969 of French language books in Canada, on the above basis, was 27.3 million in publishers sales dollars.

1969 Estimated Canadian Consumption of French Language Books

	($000,000)
. Publishing industry supply	16.2
. Direct imports and purchases from others than members of the French language book industry	11.1
Total Canadian consumption of French Language Books	$27.3

The accuracy of this estimate is largely dependent on the validity and accuracy of the projections, assumptions and interpolations made in this section. To the extent that we have not been able to validate or cross reference certain results used in deriving the consumption estimate, we cannot assure its accuracy. However, we feel that the order of magnitude of the estimate is acceptable, based on our knowledge of the industry, published book import data and sources of data collected during our research.

(iii) Industry's Historical Growth Performance

The 31 French language book publishers who participated in our study were asked to reveal their sales data for the period 1964 to 1969. Of the 31 participants, 26 submitted partial or complete sales time series. The following table shows the number of contributors by the number of years' sales data submitted:

Number of Participants	Number of years reported
11	6 years (1964-1969)
2	5 years (1965-1969)
1	4 years (1966-1969)
1	3 years (1967-1969)
1	2 years (1968-1969)
10	1 year 1969

Only 11 publishers revealed 6 year sales data. The aggregate 1969 book sale revenues of these 11 publishers was $4.9 million or 30% of the 1969 estimated sales of the French language book publishing industry. This group of publishers experienced in these 6 years an average annual rate of growth of 14%.

In order to compute the industry's sales output value over the 6 year period, we analyzed Quebec Bureau of Statistics published data for the book publishing industry. After accounting for the presence of Quebec based English language book publisher sales in both publisher and publisher-printer reported categories, we calculated the average annual rate of growth from 1964 to 1967 of the French language book publishers reporting to the Government. The computed annual growth rate of these publishers was 12%.

The following table highlights the 6 year sales trend of the industry, at a 12% and 14% yearly growth rate, to its 1969 estimated $16.2 million output level.

Calculated French Language Book Industry's Sales Trend from 1964 to 1969

	Publishers' Sales in Million of $					
	1964	1965	1966	1967	1968	1969
Sales Trend at 14% yearly growth rate (based on sample of 11 companies)	9.5	10.8	12.3	13.6	14.9	16.2
Sales Trend at 12% yearly growth rate (based on Q.B.S. data)	10.1	11.3	12.6	13.8	15.0	16.2

Sketchy historical sales results reported by a number of publishing and Q.B.S. industry data indicated somewhat of a steady growth rate during this period except for 1966-1967 where a higher rate of growth took place. At least part of this noticeable increase can be attributed, as in the case of the English language book publishing industry, to events in the Centennial year of 1967.

(iv) Growth Plans

Except in only a few publishers, no large scale movement was observed among the majority of the interviewees to producing non-book products such as films, records, and other audio visual material. The publishers interviewed are to a great extent devoted exclusively to books. They, however, do foresee the changing role of books in education.

When asked to reveal which factors would account for the future growth of their firm, 83% stated increased sales of existing book type categories. The following table outlines their responses.

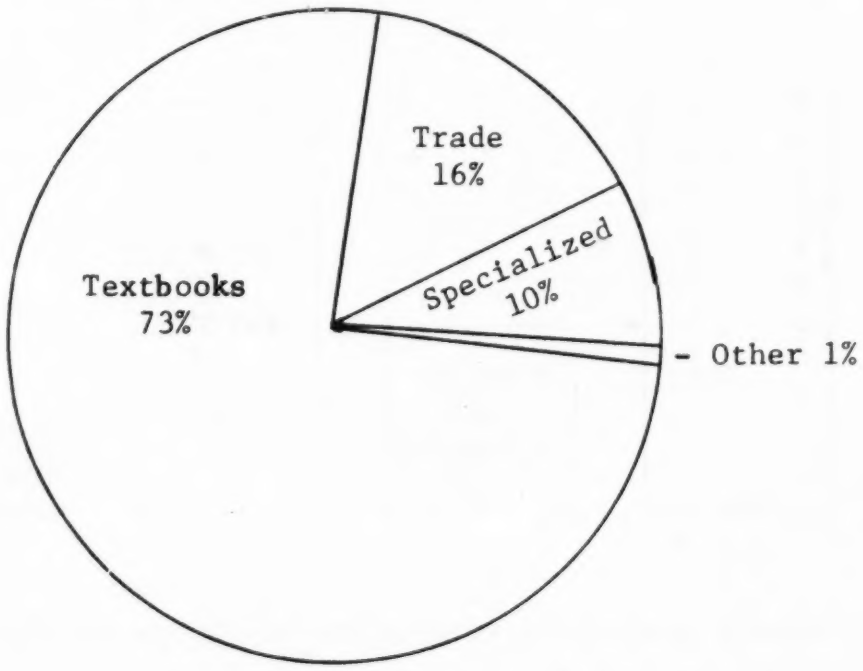
Factors	Number of Respondents	% of 30 Respondents
. Increase sales of existing book type categories	26	83
. Development of new products and other book type categories	21	70
. Acquisition of new product lines	9	30
. Merger or acquisition - vertical integration	6	20
. Merger or acquisition - horizontal integration	5	16
. Acquisition of unrelated business	2	7
. Being acquired by an unrelated business	2	7

Respondents commented also on their present growth rate and their expected growth rate. Collectively, participating publishers anticipate a yearly growth rate in the next five years slightly less than they have experienced in the past year. This corresponds to opinions expressed by English language publishers who also forecast a slight levelling of sales growth for the next five years.

(b) - Product Sales

Respondents were asked to reveal their 1969 sales in terms of product mix. Eighteen publishers complied with the request. Collectively, their 1969 sales represent 40% of the estimated industry sales. Because of difficulties in reporting, product groupings had to be used. The following product revenue mix highlights the major importance of textbooks as a source of publishers' revenues.

Product Revenue Mix of
18 Reporting Companies

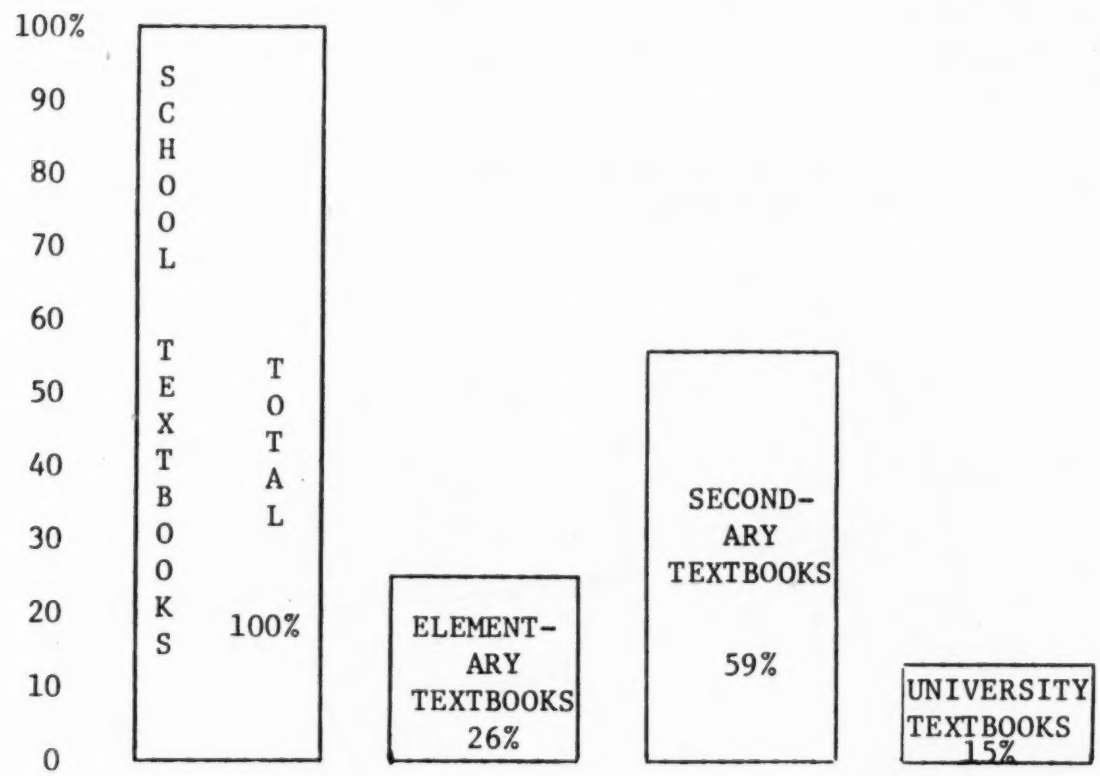


Partial results from 6 additional interviewed publishers when added to the 18 publishers product mix would tend to indicate that the above product revenue mix is very representative of the total industry's.

Of the 31 publishers participating in our study, 60% publish textbooks. Considering that 73% of the aggregate revenue is in textbooks, it would appear that textbook publishers have a larger sales volume than non-textbook publishers. This is substantiated by our data which shows that of the 10 participating publishers with sales over $1 million, 7 were textbook publishers.

(i) Textbooks

Secondary school textbooks account for the largest share of the textbook publishers' revenues.



Textbook publishers were quite unanimous in their comments on the growing attractiveness of the secondary textbook market and on the decreasing importance of the elementary textbook market. Most concurred on the point that the university textbook demand is not sufficiently large nor stable to warrant profitable publication and marketing of these book types. Most publishers with university textbook sales noted that the major portion of their university textbook business was with Junior Colleges rather than Universities.

(ii) Specialized Books

Printed and bound material for use in schools represent the significant portion of the aggregate specialized book revenues of the French language book publishers.

Specialized Book Revenue Mix

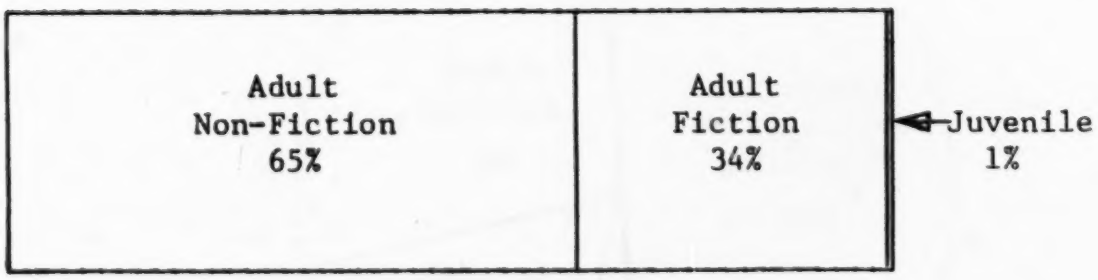
Book Type	% of Revenue Mix
. Supplementary school material	31
. Other school printed and bound material	58
. Directories, Almanacs and Encyclopedias	10
. Printed unbound educational material	1
Total specialized books revenue	100%

As stated by a number of participants who publish specialized books, the characteristics of the domestic market preclude any mass marketing of specialized books except in the case of supplementary and other school printed and bound material.

(iii) Trade Books

Publishers derive their largest share of trade book revenues from adult non-fiction book sales.

Trade Book Revenue Mix



Several participants who publish trade books exclusively remarked that the growing demand in recent years for their trade books has come about as a result of their marketing approach:

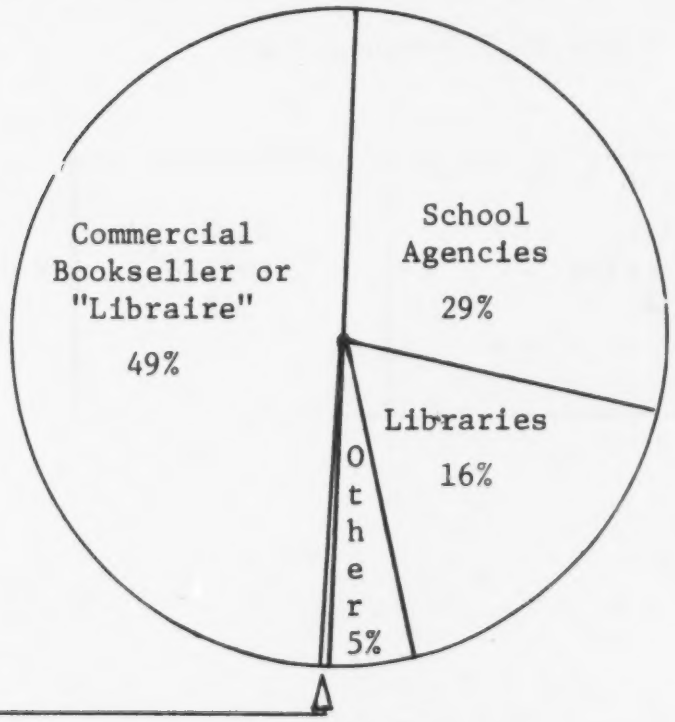
- complete emphasis on softbound books with attractive coloured covers;
- selection of known, controversial and/or innovative, political, social or professional persons as authors;
- strong preference for popular or vulgarized literature tailored to the educational make-up and the social, economic and political values of the French speaking Canadians.

Furthermore, they added that the public's emerging intellectual curiosity along with their growing need to be informed and educated on the topics of the day, were largely responsible for adult non-fiction books accounting for a greater share of their trade book revenues than adult fiction.

(c) - Market Segmentation

Eighteen publishers accounting for 40% of the industry's 1969 sales reported their sales by given categories of customers. The commercial booksellers or "libraires" are by far the most single important customer category. As previously stated, the main reason for this is that the "libraire" usually serves the functions of distributor and retailer.

SOURCE OF AGGREGATE REVENUE BY MAJOR MARKETS



School agencies are the second most important customer group to the publishers. The fact that school agencies contribute 29% of the publisher's total revenue highlights the impact of a number of textbook publishers who are gradually circumventing the "libraire" in the distribution of their products to the institutions.

Libraries, which account for 16% of our respondents book sales revenue, are the publisher's third most important customer category. Their significance as a customer category also points out the practice of a number of publishers who are selling directly to the consuming institutions rather than using a distributor.

Few of the participating publishers export. The aggregate sales of the participants to foreign customers in 1969 represented 1% of their collective revenues.

(i) School Agencies

Reporting publishers derive the greatest portion of their school agency revenues from the Quebec school boards.

Publishers' Sales to School Agencies by Province

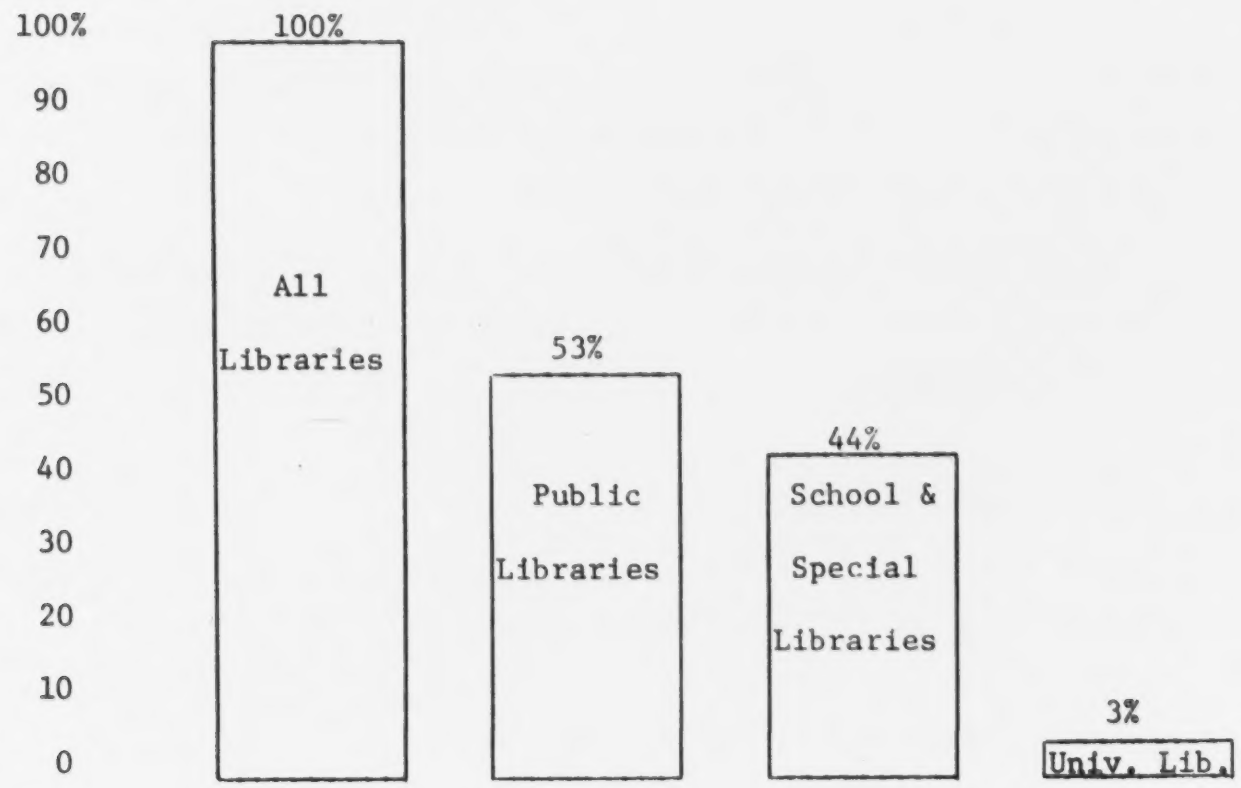
Province	Percentage
Quebec School Agency	86.9
Ontario School Agency	8.1
New Brunswick School Agency	4.9
Manitoba School Agency	0.1
Total School Agency sales	100.0%

Several textbook publishers indicated during the interviews that their direct sales to school agencies across Canada was somewhat indicative of the relative demand for French language textbooks in the provinces.

(ii) Libraries

Public libraries buy the largest portion of the books sold by the reporting publishers to the libraries.

Publishers' library sales by type



(iii) Other Customers

University book stores, commercial retailers and all other customer types except foreign customers make up this customer grouping. Publishers' sales to this group of customers are fairly evenly divided between the university book stores and the commercial retailers not identified elsewhere.

Publishers' "Other" Sales by Type

Customer type	% of Sales
University book stores	41.5
Commercial retailers not identified elsewhere	42.0
Others such as individuals, governments, etc.	16.5
Total "Other" Customers	100.0 %

(iv) Exports

Publishers who revealed their sales to foreign customers indicated that the only books sold abroad were Canadian copyright books manufactured in Canada. Nearly all of these books were exported to France.

(d) - Analysis of Publishers' trade books and textbooks sales by customer groupings

Ten publishers reported their textbook and tradebook sales by customer groupings. The following analysis of their collective book sales shows that commercial booksellers or "libraires" are the most important distribution channel for both the textbook and tradebook publishers.

% of aggregate 1969 sales accounted by following customer groupings
(10 reporting publishers)

	Textbook Sales %	Tradebooks Sales %
Commercial bookseller	67	46
School agencies	20	4
Libraries	8	34
Others	4	11
Export	1	5
Total	100%	100%

(e) - Publishers' sales by country of origin

Thirteen respondents reported their book sales by country of origin. Their collective 1969 sales by country of origin were as follows:

% of Collective Sales by Country of Origin
(13 reporting publishers)

. Canadian author and Canadian manufacturer	98%
. Foreign author and Canadian manufacturer	1
. Foreign origin; foreign publishers' imprint	*
. Foreign origin; Canadian publishers' imprint by agreement between Canadian and foreign publisher	1
Total	100%

These 13 reporting publishers sell, practically exclusively, books written by Canadian authors which have been manufactured in Canada for which they have the copyright.

These results reflect to a certain extent the fact that French language book imports are, as a general rule not distributed by the native owned French language book publishers participating in our study. Of the 28 participants who were Canadian owned, 23 revealed the percentage that book imports represent of their total sales.

Book imports as a % of total sales	Number of Respondents	% of Respondents
0%	12	52
1% - 10%	5	22
11 - 50%	4	17
51 - 100%	2	9
	23	100%

The fact remains that 75% of the interviewed native owned publishers do not derive revenues from book import sales exceeding 10% of their total sales confirms to a degree the statement made by many publishers during the interviews. In effect, many interviewees commented that French language book imports were essentially controlled by foreign owned French language book publishers in Canada, English language book publisher-agents, "libraires" and certain wholesaler-distributors.

4. Industry Problems

Publishers participating in our study were asked throughout the interviews to comment on the problems and their solutions, as well as strengths and weaknesses, of the book industry in Canada. In nearly all cases, French language book respondents interpreted "book industry in Canada" to mean the French language book segment of the book industry in Canada.

Many interviewed publishers emphasized throughout their comments that it was vital that our research clearly communicate the presence of two book industries in Canada rather than one, and the difference in the flow of books from their point of origin to their point of consumption.

(a) - Current Problems of the Industry

(i) Small Market

Nearly 80% of the respondents indicated that the relatively low domestic demand is one of the major problems facing them. According to the interviewees, their inability as individuals or as an industry to mass market their products outside of Canada has forced them to a domestic vocation. Many suggested that it is extremely difficult, and in certain cases impossible, to produce and market economic lot sizes to the limited indigenous population.

The small size of the market appeared to be a much more acute problem for the publisher of trade and specialized books than for the publishers of textbooks.

(ii) Book Imports

Approximately 30% of the respondents underlined the growing threat to their survival that book imports represent. Most of the participants were unanimous in stating that book imports were increasing in volume and in share of the domestic consumption. Interviewees gave the following reasons for the growing market domination of book imports:

1. The lack of reciprocal measures governing foreign trade of books between Canada and other francophone countries. Canada has presently no restrictive measures in the form of duties or quotas regulating imports of French language books;

2. The significant economies of scale enjoyed by foreign publishers which enables them to market a more elaborate and aesthetic book at a lower price than the native publisher;

3. The growing importance of foreign subsidiaries established as local publishers. They are controlling an increasing share of the distribution rights of foreign imported books and are mass marketing, with growing success, imported original and adapted versions.

(iii) Risky Investment for Small Anticipated Profits

One out of four interviewed publishers deplored the rising risk involved in publishing and marketing textbooks. This situation, according to these publishers, has been brought about primarily by the educational reforms of the Quebec Department of Education which have resulted in three specific problems for the publisher of textbooks:

1. Inadequate guidance as to what will be in demand. This favours the large foreign publisher who has an elaborate selection of textbooks, to the detriment of the local publisher with limited resources.

2. De-emphasis of the unique textbook programme. The practice of imposing the unique course textbook is gradually being replaced by the teacher and local school boards selection of multiple reference textbooks along with other didactic material;

3. Late approval of textbook and reference books. The period from which a manuscript outline is submitted to the moment the book is approved or rejected varies from 6 months to 2 years. The publisher during this period has a sizable investment with uncertain prospects of profits.

A number of these publishers commented that prior to these reforms, the textbook segment of the French language book industry in Canada has been the only lucrative market for the local publishers. Factors such as longer production runs because of the unique course textbook practice, few educational programme changes from year to year, low royalty payments because the majority of authors were from religious institutions, and others, which contributed to the establishment of a French language book publishing industry in Canada, no longer prevail.

Of the 31 interviewed publishers who were asked what changes in the provincial school textbook purchasing methods they would recommend, 12 suggested the following:

Recommendations	Number of Publishers	% of 12 Respondents
. Drastically reduce the approval cycle time	12	100
. Longer lead time on orders	4	33
. Centralize buying and adopt a uniform purchasing policy	3	25
. Restrict purchases of imported books	3	25

(iv) Insufficient Number of "Best-Seller" Authors

Another major problem facing the industry, which was identified by 20% of the respondents, is the shortage of reputable and well known authors interested in having their work published by a publisher in Canada. However, most of these respondents admitted that they were partly responsible for this state. They commented that their inability to mass market books outside of Canada, coupled with restrictive copyright legislation of certain foreign countries, motivates well known Canadian or foreign authors to be published by foreign concerns. In most cases, the publishers located in foreign countries offer much greater royalty revenue potential because of the larger local demand plus coverage of the Canadian market through their subsidiary or agent.

(v) Government Support

Of the 31 interviewed publishers, 17 stated that inadequate government support was another major problem confronting their industry. Most suggested that grants to authors for research and grants to publishers aimed at lowering the breakeven point were insufficient.

In general, publishers were aware of the various government grant programmes available. Over 70% of the respondents enumerated one or more government organizations from which grants were available:

Organizations	Number of Respondents
Canada Council	15
Quebec Department of Cultural Affairs	7
Others	7

(vi) Commercial Book Sellers

Twenty percent of the interviewees reported the insufficient number of commercial booksellers "libraires" as another major problem facing the local publishing industry. These publishers indicated that the

small size of the market makes it imperative for the publishers to cover all of the domestic market demand. However, they added that instead of increasing, commercial booksellers were decreasing in number and gradually disappearing in the less populated areas. They suggested that while they recognize the existence of alternate means of distribution such as retail outlets of all kinds, they feel that the commercial bookseller is the only retail channel that can best exploit the demand and thus generate more sales.

Many publishers' comments on the commercial bookseller network in Quebec were recorded during our personal interviews. The main opinion expressed was that most of the commercial booksellers derive the largest part of their revenues from their distribution and wholesale operation rather than from their retail business. Since they are gradually being by-passed by the publishers in the distribution of books to school boards and libraries, many of the booksellers in the lesser populated areas will eventually cease not only their wholesale business but also their retail operations.

However, as indicated by a number of interviewees who publish textbooks and trade books, the direct sale trend is deplorable on the one hand because it will result in fewer retail outlets and thus poorer market coverage, but irreversible on the other hand because of the savings of this method of distribution to institutions.

(vii) Copyright Violation

Several textbook publishers deplored the practice of many school teachers and professors who photostat for student use parts or whole of books without the publisher's permission or payment of royalties.

This practice, according to these interviewees, deprives them of considerable revenues primarily in terms of lost sales. According to them, new copyright legislation is required to deal effectively with this practice which is viewed by publishers as depriving them of revenue due to them as copyright owners.

(viii) Assessment of the Industry's performance

When the participants were asked whether the publishing industry in Canada serves the needs of the Canadian customers adequately, 13 of the 23 who expressed an opinion answered no. The reasons given related to the previously described problems of the industry.

The most common summary response was that it is extremely difficult and impossible in many subject matters for the publisher in Canada to offer, at the same price to the Canadian users, proprietary books with functional, aesthetic, intellectual and service values similar to those offered by the foreign publishers. This attitude was evidenced when the publishers were asked to evaluate the service provided to Canadian customers by them in the following segments.

Segment	Quality of Service				Total Respondent
	Excellent	Good	Fair	Poor	
. School textbook	9	8	4	2	23
. University textbook	2	4	6	9	21
. Adult fiction-hardbound	1	9	8	3	21
. Adult fiction-softbound	2	8	7	3	20
. Adult non-fiction-hardbound	1	10	7	2	20
. Adult non-fiction-softbound	1	9	8	2	20
. Professional	1	4	7	8	20
. Religious	4	9	2	7	22
. Juvenile	2	0	8	9	19
. Dictionaries	1	2	9	7	19

With the exception of textbooks and religious books, participating publishers felt that they did not meet adequately the needs of the Canadian customers.

5. Suggested Solutions

The interviewed publishers were asked to reveal what they see as solutions to these problems.

(i) Development of an international mass marketing capability

Nearly half of the responding publishers suggested that most of their present problems would be remedied by the establishment, on a selective corporate basis or industry basis, of an international publishing organization aimed at securing rights, and mass marketing in foreign countries original, adapted or translated books published by the publishers in Canada.

A number of the participants suggested that the fundamental issue confronting the French language book publishers is not restricting imports but fostering exports. In order to improve their collective export performance, they added that they would have to upgrade and expand their marketing capability.

(ii) Foreign trade agreements

Of the 25 respondents, 21 suggested that all agreements regulating the French book trade between Canada and other countries should be reciprocal.

Most of the participants felt that the present France-Quebec agreements, Canadian French book import regulations and foreign francophone countries import and export trade regulations, favour foreign francophone publishers over the French book publishers in Canada. A number of the participants advocated federal import restrictions on French books.

(iii) Appropriation of Translation Rights

Many publishers suggested that Canada's geographic location and duality of language would offer its publishers enormous advantages if they implemented a programme aimed at securing the world's translation rights of books from English to French and from French to English. With an international mass marketing capability, the publishing industry could then successfully market the translated or adapted "best sellers".

(iv) Industry Rationalization

Twenty percent of the respondents suggested that the government, through appropriate programmes, should encourage centralization or concentration of publishing activities through mergers, joint ventures and other modes.

Furthermore, a number of participants underlined the great role that the trade associations could play in this rationalization and maturity process in the industry by seminars, information and expert advice to the publishing members interested in capitalizing on the benefits of size.

(v) Grants to authors

One out of four interviewees suggested that both the Canadian and Quebec governments should award more grants to that group of native authors who can develop manuscripts on subject matters particularly pertinent to Canada. Many publishers stated that no efforts should be spared to have books written on Canadian topics by native authors and published by Canadian publishers. A number commented that these grants should bind the authors to have their books published in Canada.

(vi) Government Subsidy Programme to Booksellers

Several publishers of textbooks and trade books commented on the dilemma confronting them in lieu of the inevitable disappearance of "libraires" located outside of the major population centers in Quebec. On the one hand, it will become more economical for them to sell directly to the institutions rather than via the "libraires". However, if these "libraires" lose this wholesale business they will be forced to cease their operations and thus will no longer be able to service the local consumers. This will result in eventual lost business. The solution to this problem, according to these publishers, resides in a Quebec government programme aimed at subsidizing those "libraires" who will not be justifiable on an economic basis but are and will remain on a cultural basis.

(vii) Guidance from the Quebec Department of Education

One out of four participants suggested that the Quebec Department of Education change its approval and purchasing practices of textbooks. The suggestions varied from determining course programmes several years in advance to centralizing purchasing.

Furthermore, several of these publishers suggested that the Department should guide those publishers interested in developing a capability in new didactic methods and media which will complement and possibly replace in the long run the book as a medium.

(viii) Government Programme to Foster Cultural Interest

Three publishers suggested that the governments through their educational programmes and other means, stimulate the cultural interest of the population. This would inevitably result in greater consumption of books and thus in a larger demand.

(ix) Sources of Assistance

Over 85% of the participants commented on the question: Who can assist the publishing industry in resolving some of its problems. The following chart highlights their responses.

Group who should provide assistance	Number of Respondents	% of 27 Respondents
Federal Government	21	78%
Provincial Government	6	22%
Trade Associations	5	19%
Publishers themselves	5	19%
Arts Council	3	11%

Publishers see solutions to their problems evolving through joint co-operation of all the above groups.

6. Summary

In summary, the French language book publishing industry in Canada is confronted with a series of problems in catering to the needs of the limited indigenous population. The fact that publishers have identified these problems and have suggested remedies reflects the desire of the industry to change and overcome the major weakness that their domestic orientation constitutes. Solutions to the known problems must be implemented in the near future if the backbone of the industry, represented by the larger textbook publishers and the emerging paperback trade book publishers, is to survive and prosper.

Effectively, the industry has defined several areas of concern for remedial action in the next years. They are:

(1) consolidation and expansion of their share of the national demand,

(2) increased exports,

(3) local market problems such as the preferential measures to the foreign French publishers exports to Quebec, the Quebec Department of Education's approval and buying practices, the eroding "libraire" network, the inadequate support to native authors, copyright violations, great number of small publishers.

V. D. BOOK MANUFACTURING

1. Development of Study Sample

The Canadian book manufacturers surveyed in this study are divided into Groups I, II and III. A description of these groups is as follows:

		Number of Companies Surveyed
Group I -	Non-publishing, book manufacturers, who have the capability to typeset, print and bind.	15
Group II -	Publishers performing one or more book manufacturing functions.	21
Group III-	Commercial printers who print books	9
	Total	45

In order to contrast the performance of the Canadian book manufacturing and the United States book manufacturing industries, we interviewed 8 U.S. book manufacturers and collected performance data on the United States industry. Two additional companies were interviewed but we did not tabulate their results because of their specialized type of business and the non-comparative data available.

2. Structure of the Manufacturing Industry

(a) - Value of Output

Of the 15 interviewed book manufacturers comprising Group I, 9 returned the statistical questionnaire. This group of 9 firms consists of all except one of the large book manufacturers in Group I and in total they reported book sales of $9,297,000 for their latest financial year. This figure is estimated to account for 77% of total sales of the Group I sample. Through data submitted by 13 of the Group II manufacturing

publishers, it is possible to calculate a total book manufacturing cost incurred last year by these 13 publishers while using their own facilities of $6,398,000. All major manufacturing publishers of Group II are included in this group of 13 and the $6,398,000 is estimated to account for 89% of the total Group II sample companies. Seven Group III commercial printers reported for book printing sales a total of $1,921,000 based on their last fiscal year. These figures are summarized below:

Book Manufacturing Activity
Sample Results
($000)

	Reported	Estimated Sample Total
Group I Companies - Book Sales	$ 9,297	$12,000
Group II Companies - Book Manufacturing Cost	6,398	7,200
Group III Companies - Book Printing Sales	1,921	2,400
Totals	$17,616	$21,600

Manufacturing cost as a percentage of publisher's sales can reasonably be expected to average 40%. Using the Canadian publishers authored and adapted book sales, manufactured in Canada, of $77,200,000 and this 40% average, an estimate of $30,880,000 may be calculated as the annual amount spent by Canadian publishers for book manufacturing in Canada. The Group I, II and III samples are estimated to account for $21,600,000 or 70% of this total.

Expenditure for Book Manufacturing in Canada
($000)

Reported by Group I, II and III manufacturers	$17,616
Estimate for non-reporting Group I, II and III manufacturers	3,984
Other Canadian book manufacturing expenditures	9,280
Estimated Total	$30,880

The $9,280,000 in the above summary may be attributed to the following:

1. Direct purchases by publishers of paper, cloth, and binding board.
2. Book typesetting sales by typesetters.
3. Book binding sales by binders.
4. Book manufacturing sales by manufacturers not included in Group I.
5. Book manufacturing done by publishers not included in Group II.
6. Book printing sales by commercial printers not included in Group III.

To appreciate the significance in the economy of Canadian book manufacturing, the $30,880,000 total may be compared with the latest figures for Canada's GNP and for sales of printing, publishing, and allied industries.

COMPARISON

	Annual Total ($ million)	Canadian Book Manufacturing Revenue as a Percentage
GNP - DBS - 1969	$78,300	.04%
Printing, publishing and allied industries - estimated revenue arising from manufacturing portion, commercial printing, typesetting and binding including manufacturing of books, periodicals, and newspapers. Value added estimated for 1969 as $835,000,000.	1,372	2.3 %

Canadian book manufacturing value added as a percentage of printing, publishing and allied industries value added is 2.3%.

As reported in section V.A., Canadians consumed in 1969, $144.8 million worth of imported books. By using the 40% ratio and the total imported book sales, it is possible to estimate the value of imported books in terms of manufacturers' sales dollars. The resulting figure is $57.9 million. The following table contrasts this opportunity loss with the publishers expenditure on books manufactured in Canada. It should be noted that this comparison is illustrative only and does not imply that the imported books could have been manufactured in Canada at a cost of $57.9 million. One reason, of course, is that many of the imported books were sold in quantities too small for economical Canadian manufacture.

	$	%
Expenditure by publishers for book manufacture in Canada	$30,880,000	35
Estimated value of imported book sales in terms of Canadian manufacturers' sales dollars	57,920,000	65
Estimated Total	$88,800,000	100%

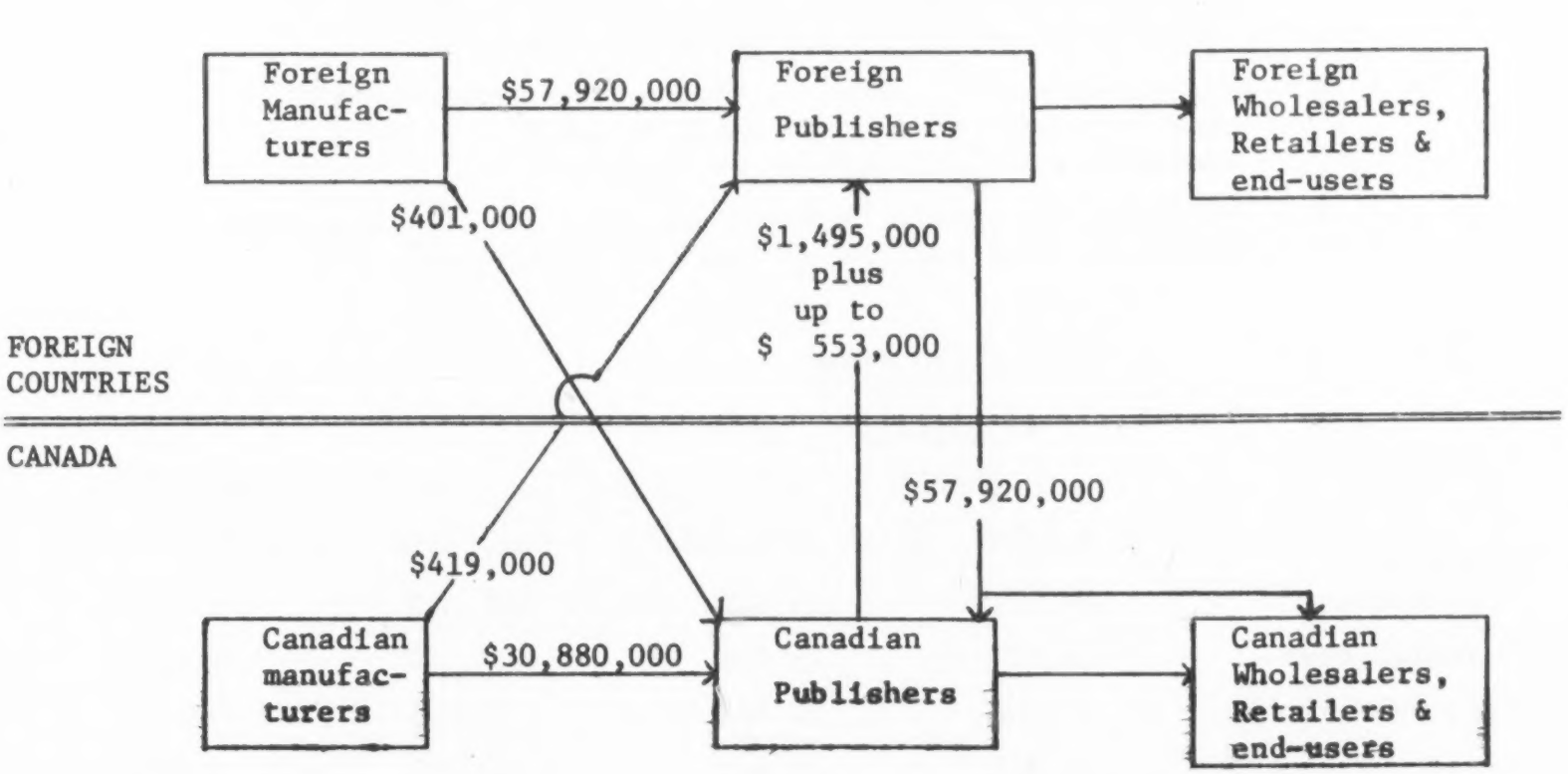
The amount of book manufacturing done in Canada for export to foreign publishers was reported by 22 Group I, II and III companies as $419,000 for their last fiscal year. In the accompanying chart this is assumed to account for the total. Major book publishers in Canada reported an average of 1.3% of their Canadian book manufacturing work being sent to foreign manufacturers. Using this percentage and the $30,880,000 annual total spent by publishers for book manufacturing in Canada, a $401,000 estimate may be calculated as the amount of book manufacturing business from Canadian publishers that was lost to foreign competition.

As mentioned in section V.A., an estimated $5,540,000 in books is exported annually by Canadian publishers, distributors and book manufacturers. Eliminating the manufacturers' exports of $419,000 leaves $5,121,000 exported by publishers and distributors. Using again the 40% manufacturing cost average, this represents $2,048,000 exports valued in terms of manufacturers' selling prices. Of this, 73% or

$1,495,000 is made in Canada and sold abroad by publishers. The remaining $553,000 (27% of exports) are books exported, which have been previously imported by Canadian publishers and distributors. It has not been possible to divide the $553,000 into publisher exports and distributor exports.

The accompanying chart depicts these annual flows of books. All flows are valued in terms of Canadian manufacturers' selling prices.

MAJOR ANNUAL PHYSICAL FLOWS OF BOOKS RELATED
TO THE CANADIAN BOOK INDUSTRY
VALUED IN TERMS OF CANADIAN MANUFACTURERS' SELLING PRICES



(b) - Book Printing

A recent ratio study reports results for North American printing companies. The predominantly book printing firms included in the study are separately analyzed. While separate results for Canadian printing companies in the study are available, separate results for a corresponding group of predominantly book printing firms in Canada are not available. Some of the study results are shown below. Contrasting the North American predominantly book printing firms with all reporting firms the following differences are evident:

1. Predominantly book printing firms have a different percentage composition of cost of sales. Although less is spent for material cost, more is spent for factory payroll and factory expenses.
2. As a percentage of value of production, cost of sales for predominantly book printing firms is approximately the same as that for all reporting firms.
3. Predominantly book printing firms spend more for administrative expense and less for selling expense in terms of percentage value of production.
4. As a percentage of value of production, predominantly book printing firms spend slightly less in total for administrative and selling expenses.
5. Predominantly book printing firms show a slightly greater profit as a percentage of value of production.

RATIO STUDY

	Predominantly Book Printing Firms		All Reporting Firms	
	All Firms	8% or More Profit	All Firms	8% or More Profit
Value of Production	100.00%	100.00%	100.00%	100.00%
Material cost	28.83%	29.00%	37.30%	36.12%
Factory Payroll	37.26%	32.02%	32.23%	29.07%
Factory Expenses	14.35%	11.96%	10.68%	9.80%
Total	80.44%	72.98%	80.21%	75.00%
Gross Profit	19.56%	27.02%	19.79%	25.00%
Admin. Expenses	7.72%	8.02%	6.79%	6.23%
Selling Expenses	5.74%	5.61%	7.34%	7.26%
Total	13.46%	13.63%	14.14%	13.49%
Profit	6.10%	13.39%	5.66%	11.51%

(c) - Size

The following table shows the distribution of Group I, II and III companies by sales range. Total company sales for the latest fiscal year are used. Twenty percent of the companies reported sales less than $1,000,000.

	Total Sales			
Range	Group I Companies	Group II Companies	Group III Companies	Total Companies
$ Less than 1 million	3	5	1	9
1 - 1.99 million	5	6	1	12
2 - 2.99 million	3	2	2	7
3 - 3.99 million	-	3	1	4
4 - 4.99 million	-	-	1	1
5 million and over	3	4	3	10
No response	1	1	-	2
	15	21	9	45

The interviewed manufacturers were also asked to give the tota number of employees. It can be seen from the following table that 27% of the interviewed manufacturers reported more than 200 employees.

	Number of Employees			
Range	Group I Companies	Group II Companies	Group III Companies	Total Companies
Less than 99	3	14	4	21
100 - 199	7	3	2	12
200 - 299	1	2	2	5
300 - 499	2	-	-	2
500 - 999	-	-	1	1
1000 or greater	1	1	-	2
No response	1	1	-	2
	15	21	9	45

In addition to gathering sales and employment data, manufacturers were asked to categorize their investment equity into seven ranges. The table below shows that 64% of the interviewed manufacturers reported an equity investment smaller than $1,000,000.

	Investment Equity			
Range	Group I Companies	Group II Companies	Group III Companies	Total Companies
$ Less than 1 million	8	15	6	29
1 - 1.99 million	3	3	1	7
2 - 3.99 million	2	1	1	4
4 - 6.99 million	-	-	-	1
7 - 9.99 million	-	1	-	1
10 - 19.99 million	1	-	-	1
20 million or greater	-	-	-	-
No response	1	1	-	2
	15	21	9	45

(d) - Profitability

Group I, II and III companies reported after tax profits as a percentage of sales for their last financial year. The percentages, which are shown below, are company-wide results and not exclusively due to a firm's book manufacturing activity. It should be noted that 22% of the interviewed manufacturers reported after tax profits on sales, of less than 2%.

Net Profit on Sales

Range	Group I Companies	Group II Companies	Group III Companies	Total Companies
Less than 2%	4	5	1	10
2 - 3.99%	2	4	4	10
4 - 5.99%	4	5	1	10
6 - 7.99%	1	1	1	3
8 - 9.99%	-	1	1	2
10% or greater	1	3	1	5
No response	3	2	-	5
	15	21	9	45

The same companies also expressed the after tax profit as a percentage of their company's equity investments. Again, the percentages which are reported in the following table, are for company-wide results. Twenty-five percent reported a return of less than 4%.

Net Profit on Equity Investment

Range	Group I Companies	Group II Companies	Group III Companies	Total Companies
Less than 2%	3	3	-	6
2 - 3.99%	1	1	3	5
4 - 5.99%	-	1	-	1
6 - 7.99%	2	-	1	3
8 - 9.99%	2	3	1	6
10% or greater	4	5	3	12
No response	3	8	1	12
	15	21	9	45

It is possible to analyze profitability by size of equity investment. Group I and III companies have profits that are derived entirely from manufacturing, and a comparison is made below according to size of equity investment. For Group I and III companies, profitability on equity increases with the size of equity investment.

Median Profitability

Equity Investment	Group I Companies		Group III Companies	
	% Net Profit on Sales	% Net Profit on Equity Invest.	% Net Profit On Sales	% Net Profit on Equity Invest.
Less than $1 million	2 - 4%	6 - 8%	2 - 4%	6 - 8%
$1 million or greater	4 - 6%	8 -10%	2 - 4%	8 -10%

(e) - Integration

To appreciate the degree of vertical integration in the Canadian book industry, it can be noted that of the surveyed 99 publishers, 21% do all or part of their own manufacturing.

The estimated total cost incurred by these Group II publishers using their own facilities was 23% of the $30,880,000 total spent for Canadian book manufacturing.

The Group I and III book manufacturers and all the publishers were asked for their opinion on the trend towards the integration of typesetting, printing and binding. The results are summarized below. Sixty two percent of the Group I and III manufacturers reported that they felt the trend was towards the separate contracting of typesetting, printing and binding.

Integration of Manufacturing

	Group I Companies Number	Group III Companies Number	Publishers Number
Trend towards integrating typesetting, printing and binding	2	1	27
Trend towards integrating printing and binding	3	-	5
Trend towards the separate contracting of typesetting printing and binding	7	6	34
No trend	1	2	11
No response	2	-	22
Total	15	9	99

Manufacturers and publishers gave the following reasons for explaining the trends towards integration:

- integration provides improved service to publishers
- integration improves the manufacturers' profits
- integration provides better control of scheduling
- integration improves quality

The following reasons were given by those who felt the trend was away from integration:

- publishers prefer separate purchasing as it gives them the best combination and better purchasing power with smaller firms.
- separate contracting permits a manufacturer to fully load all departments
- decline of letterpress printing

(f) - Financial Ties

Manufacturers were asked to reveal the nationality of the majority shareholders of their companies. In the summary below, it may be seen that 82% of the manufacturers have Canadian majority ownership.

Ownership

	Group I Companies	Group II Companies	Group III Companies	Total Companies
Canadian	14	16	7	37
United States	-	-	-	-
French	-	-	-	-
British	1	3	2	6
No response	-	2	-	2
	15	21	9	45

Due to the small number of foreign owned companies in each group, it is not possible to analyze sales and profits by ownership.

(g) - Location

The companies in Groups I, II and III are divided below according to their location. Fifty-six percent of the interviewed Canadian manufacturers are located in the Toronto area.

Location

	Group I Companies	Group II Companies	Group III Companies	Total Companies
Toronto Area	5	12	8	25
Montreal Area	2	6	-	8
Other	8	3	1	12
Totals	15	21	9	45

When publishers were asked to rank the importance of various factors in selecting a printer, the overall rating of geographic location was the fifth most important factor. The importance rating of geographic location by 75 publishers is summarized below:

Importance of Geographic Location

Publishers' Rating

	Number
Most Important Factor	-
Second Most Important Factor	2
Third Most Important Factor	7
Fourth Most Important Factor	13
Fifth Most Important Factor	11
Sixth Most Important Factor	20
Seventh Most Important Factor	6
Eight Most Important Factor	13
Ninth Most Important Factor	3
Totals	75

When considering locating a book manufacturing plant, the factors in the table below were felt by manufacturers to be important. The most frequently mentioned factor was proximity to a publishing centre.

Factors Influencing Choice of a Book Manufacturing Plant Location

Number of Companies Who Mentioned Each Factor

	Group I Companies	Group II Companies	Group III Companies	Total Companies
Proximity to publishing centre	6	5	7	18
Proximity to typesetters	-	4	-	4
Proximity to end-user	7	6	1	14
Proximity to industrial centre	5	7	2	14
Away from competition	-	1	2	3
Eligibility for designated area government assistance	-	1	-	1
Transportation service	1	1	-	2
Low labour cost	2	-	3	5
Low municipal taxes	2	-	-	2

Book manufacturers and printers were asked to select their first three choices for location of new printing and/or binding plants in Canada. For both Group I and Group III companies, Toronto area was the most popular first choice.

Plant Location

	Group I Companies		
	First Choice	Second Choice	Third Choice
Montreal Area	1	2	2
Toronto Area	10	1	-
Quebec Outside Montreal	-	-	3
Ontario Outside Toronto	1	5	-
Maritime Provinces	-	1	-
Prairie Provinces	2	-	1
British Columbia	-	1	4
No response	1	5	5
Totals	15	15	15

Plant Location

	Group III Companies		
	First Choice	Second Choice	Third Choice
Montreal Area	1	2	2
Toronto Area	4	2	1
Quebec Outside Montreal	-	2	-
Ontario Outside Toronto	3	2	-
Maritime Provinces	-	-	-
Prairie Provinces	-	-	1
British Columbia	1	1	3
No response	-	-	2
Totals	9	9	9

Manufacturers gave the following reasons for making their choices:

- Toronto has a good labour supply
- Toronto is Canada's printing and publishing centre
- lower labour costs outside Toronto
- preference of British Columbia Department of Education for British Columbia manufactured books
- locating in Quebec poses unique problems
- less competition outside Toronto area.

(h) - Operating Characteristics

i) Publisher - Manufacturer Relations

During the survey, publishers were asked to rate in order of importance those factors upon which they based their decisions to select a book printer. The table below summarizes the results. Ninety-three percent of the publishers selected price or quality as their first choice. Several publishers gave equal first choice ranking to price and quality and made no second choice. The third choice column highlights the importance publishers attach to service.

Publishers' Selection of a Book Printer

	First Choice	Second Choice	Third Choice
Price	42	33	7
Quality	46	26	9
Distribution Facilities	-	1	1
Production Facilities	5	7	15
Geographical Location	-	2	7
Size of Printer	-	-	3
Service (e.g. Delivery)	2	9	35
Typesetting arrangements	-	2	6
Bookbinding contracts	-	-	3
Totals	95	80	86

To assess publisher - manufacturer relations, Group I and III manufacturers were asked whether or not they felt a beneficial and effective relationship exists between themselves and publishers. Thirty-three percent of the Group I companies felt a good relationship exists whereas 56% of the Group III companies felt the relationship is good.

Publisher-Manufacturer Relationship

	Group I Companies	Group III Companies
Good relationship	5	5
Poor relationship	7	2
Don't know	1	1
No response	2	1
	15	9

The same companies were also asked to select in order of importance those factors which they considered in seeking out, choosing or selling to publishers. For both groups the most popular first choice was reputation of publisher.

Factors Determining Selection of Publishers

	Group I Companies		
	First Choice	Second Choice	Third Choice
Authors Publisher Uses	-	1	1
Possibility of Reprints	3	3	1
Reputation of Publisher	7	3	1
Size of Publisher	1	1	5
Geographic Location	-	1	1
Production Schedule of Manufacturer	-	1	1
Opportunity to Provide Other Services	3	3	3
No Response	1	2	2
	15	15	15

Factors Determining Selection of Publishers

	Group III Companies		
	First Choice	Second Choice	Third Choice
Authors Publisher Uses	-	-	-
Possibility of Reprints	2	4	-
Reputation of Publisher	4	1	1
Size of Publisher	2	2	2
Geographic Location	-	1	3
Production Schedule of Manufacturer	-	-	2
Opportunity to Provide Other Services	-	-	-
No Response	1	1	1
	9	9	9

ii) Management

Manufacturers were asked to consider whether or not management in the book publishing and printing industry is "sophisticated" compared to other industries. This question was asked about general management, production management, financial management and marketing management and the results are summarized below. Very few manufacturers rated any of these areas of management as "very 'sophisticated'".

Opinion Towards Existing Management in Book Publishing and Printing Industry

	Group I Companies	Group II Companies	Group III Companies	Total Companies
General Management				
Very "Sophisticated"	-	6	-	6
Somewhat "Sophisticated"	6	3	2	11
Little Sophistication	4	6	4	14
No response	5	6	3	14
Total	15	21	9	45

	Group I Companies	Group II Companies	Group III Companies	Total Companies
Production Management				
Very "Sophisticated"	-	7	-	7
Somewhat "Sophisticated"	8	3	1	12
Little "Sophistication"	2	5	5	12
No Response	5	6	3	14
Total	15	21	9	45
Financial Management				
Very "Sophisticated"	-	4	1	5
Somewhat "Sophisticated"	5	7	1	13
Little "Sophistication"	5	4	4	13
No Response	5	6	3	14
Total	15	21	9	45
Marketing Management				
Very "Sophisticated"	-	4	1	5
Somewhat "Sophisticated"	5	5	1	11
Little "Sophistication"	5	5	4	14
No Response	5	7	3	15
Total	15	21	9	45

Information was obtained from Canadian book manufacturers on the use of training programmes for management employees. Thirty-three percent reported that no use was made of formal training course.

Management Training

	Group I Companies	Group II Companies	Group III Companies	Total Companies
Use of outside or company course	5	7	6	18
No formal training	3	9	3	15
No Response	7	5	-	12
Total	15	21	9	45

iii) Skilled Workers

The experience of Group I, II and III manufacturers in obtaining enough qualified skilled workers was reported. Fourty-nine percent felt that a good supply existed.

Skilled Worker Supply

	Group I Companies	Group II Companies	Group III Companies	Total Companies
Good Supply	8	8	6	22
Poor Supply	6	6	3	15
No Response	1	7	-	8
Total	15	21	9	45

In gathering data on the use of training programmes for skilled workers, it was found that 53% of Group I, II and III companies have a formal programme.

Skilled Worker Training

	Group I Companies	Group II Companies	Group III Companies	Total Companies
Have formal programme	8	9	7	24
No formal training	-	7	2	9
No response	7	5	-	12
Total	15	21	9	45

iv) Financial Assistance

Canadian book manufacturers reported whether or not they had received any funds from the Federal or Provincial governments such as development grants or loans. It may be seen below that 20% of Group I, II and III companies reported to have received government funds.

Government Funds

	Group I Companies	Group II Companies	Group III Companies	Total Companies
Have received funds	3	5	1	9
Have not received funds	10	13	8	31
No response	2	3	-	5
Total	15	21	9	45

Apart from money received from governments, firms in the Canadian book manufacturing industry use sources of money in the private sector. These include commercial finance companies for term loans and leasing, chartered banks for short term and sometimes longer term financing, trust companies for mortgages and venture capital groups who provide debt and equity financing. Being closely held companies in many cases, internal generation of funds and additional investment from owners are very important sources of capital.

When manufacturers were asked if they felt the Canadian Government had "done enough" to stimulate growth of the book industry, the responses summarized below were obtained. Sixty-two percent felt that there is insufficient government encouragement.

Canadian Government Encouragement

	Group I Companies	Group II Companies	Group III Companies	Total Companies
Sufficient	1	2	3	6
Insufficient	11	14	3	28
No opinion	3	5	3	11
Total	15	21	9	45

v) Leasing

The extent of leasing buildings and equipment in the Canadian book manufacturing industry is apparent from the following survey results. Twenty-nine percent of the interviewed manufacturers reported that they leased buildings and 4% reported leasing equipment.

Leasing

	Group I Companies		Group II Companies		Group III Companies		Total Companies	
	Bldgs.	Equip.	Bldgs.	Equip.	Bldgs.	Equip.	Bldgs.	Equip.
Lease	3	1	5	1	5	-	13	2
Own	10	12	12	16	3	8	25	36
No response	2	2	4	4	1	1	7	7
Total	15	15	21	21	9	9	45	45

Median profitability for leasing and non-leasing manufacturers is contrasted below. The results indicate that those Group I manufacturers who lease buildings or equipment obtain a lower return on equity investment. Profitability is, however, determined by many factors and it should not be concluded that leasing necessarily leads to lower profits.

Median Profitability

	Group I Companies		Group III Companies	
	% Net Profit on Sales	Net Profit Equity Invest.	% Net Profit on Sales	Net Profit Equity Invest.
Lease Bldgs.	4 - 6%	6 - 8%	2 - 4%	6 - 8%
Own Bldgs.	4 - 6%	8 - 10%	4 - 6%	6 - 8%
Lease Equipt.	< 2%	2 - 4%	-	-
Own Equipment	4 - 6%	8 - 10%	-	-

vi) Equipment Obsolescence

In order to gain an indication of the degree of equipment obsolescence in the book manufacturing industry, firms were asked for the age of the printing press that contributed most to last year's total production. The results are summarized below. Thirty-eight percent of the Group I, II and III companies reported that their major press was less than six years old.

Age of Most Productive Printing Press

Age	Group I Companies	Group II Companies	Group III Companies	Total Companies
Less than 1 year	2	1	-	3
1 - 1.9 years	1	1	-	2
2 - 3.9 years	2	3	2	7
4 - 5.9 years	2	2	1	5
6 - 7.9 years	3	4	1	8
8 - 11.9 years	1	1	2	4
12 - 15.9 years	-	-	-	-

16 - 19.9 years	-	1	2	3
20 years or more	-	1	-	1
No response	4	7	1	12
Total	15	21	9	45

Median profitability may be analyzed by this measure of equipment obsolescence. An analysis reveals that those Group I and III manufacturers with their major press less than 6 years old have a higher return on equity investment.

Median Profitability

Age of Most Productive Printing Press	Group I Companies		Group III Companies	
	% Net Profit on Sales	% Net Profit Equity Invest.	% Net Profit on Sales	% Net Profit Equity Invest.
less than 6 years	4 - 6%	8 - 10%	2 - 4%	> 10%
6 years or more	2 - 4%	6 - 8%	2 - 4%	6 - 8%

vii) Barriers to Entry

Shown below are the results of a question asking manufacturers if they felt there were any barriers to entering the markets of publishers and printers in Canada. Thirty-six percent felt that there were no barriers to entry.

Barriers To Entry

	Group I Companies	Group II Companies	Group III Companies	Total Companies
No barriers	4	9	3	16
Some barriers	8	4	3	15
No response	3	8	3	14
Total	15	21	9	45

Those believing there to be barriers to entry named the following barriers and most frequently mentioned initial investment capital.

Barrier to Entry	Number of Companies Mentioning Each Barrier			
	Group I Companies	Group II Companies	Group III Companies	Total Companies
Initial Investment	7	3	2	12
Competition	3	2	1	6
Need for Skilled People	2	2	-	4
Technology	1	-	-	1
Sales Contacts	1	-	-	1

viii) Suppliers

Canadian manufacturers were asked to identify their suppliers of machinery, paper and other materials such as ink and plates. Harris Intertype (Canada) Limited was the most frequently mentioned supplier of equipment and almost invariably Canadian paper manufacturers were named as the suppliers of paper.

Machinery and Equipment Suppliers

Number of Companies Who Mentioned Supplier

Supplier	Group I Companies	Group II Companies	Group III Companies	Total Companies
Harris Intertype	7	4	7	18
MGD	7	3	2	12
Heidelberg	-	3	1	4
Crabtree	2	1	-	3
Strachan & Henshaw	1	-	-	1
Kolbus	2	-	-	2
Smyth	2	1	-	3

Paper Companies

Number of Companies Who Mentioned Supplier

Supplier	Group I Companies	Group II Companies	Group III Companies	Total Companies
Canadian Paper Manufacturer-named	13	13	9	35
Foreign paper Manufacturer-named	2	-	-	-

Suppliers of Ink and Plates

Number of Companies Who Mentioned Supplier

Supplier	Group I Companies	Group II Companies	Group III Companies	Total Companies
Local firms - unidentified	13	13	8	34

ix) Research and Development

During one of the interviews, the work of one man and his Canadian firm in pioneering the development of the belt press was explained. The distinguishing feature of a belt press is that it prints with letterpress plates attached edge to edge to form a closed loop or belt. Mill rolls of paper feed into the press and the web is brought into contact with the moving belt of plates. It is possible to make the belt large enough to accommodate the entire set of plates for one book. Thus a complete book can be printed at once rather than the usual method of printing signatures individually.

World rights for the use of the belt press patents have been granted to a United States manufacturer. Although the belt press is felt to be very suitable for short runs, especially reprints, it does require high annual book volume to utilize its capacity. The inventors of the belt press technique feel that in the future photo produced letterpress plates will increase the use of belt presses for single colour books.

x) Productivity

The productivity of five Group I manufacturers who returned the statisitical questionnaires with sufficient data may be analyzed according to the amount of total assets employed, the number and class of employees and the size of these companies. The measure of productivity used is sales of each firm for the last fiscal year less the expenditure in the same period for paper, cloth and binding board. Since these items are sometimes provided by publishers to manufacturers they have been eliminated.

Manufacturers with sales greater than $1,500,000 are shown to have a greater asset content per sales dollar and greater productivity per employee.

Productivity

Company Size	Sales less paper etc. per one dollar total Assets	Sales less paper etc. per employee	Sales less paper etc. per hourly employee	Sales less paper etc. per salaried clerical employee	Sales less paper etc. per mgt. & sales employee
Sales of $1.5 million or less	1.16	9,620	12,200	141,000	67,100
Sales greater than $1.5 million	1.03	10,600	13,920	78,900	101,200
All companies	1.07	10,250	13,350	91,600	87,200

i) Trade Associations

Various trade associations are supported by Canadian book manufacturers. During the interviews the most frequently mentioned trade associations were Canadian Book Manufacturers Institute and Graphic Arts Industries Association.

Trade Association Membership

Number of Companies Who Mentioned Their Membership

Trade Association	Group I Companies	Group II Companies	Group III Companies	Total Companies
Graphic Arts Technical Foundation	3	1	2	6
Canadian Book Manufacturers Institute	8	5	-	13
Graphic Arts Industries Assoc.	10	5	7	22
Printing Industries of America	5	2	3	10
Council of Printing Industries	3	4	2	9
Canadian Book Publishers Council	-	4	-	4
Canadian Lithographers Association	-	-	4	4
National Association of Photo Lithographers	-	-	3	3

Although the interviewed manufacturers mentioned government representation and financial surveys as useful services, government representation and industry surveys were also mentioned as desirable services which should be pursued to a greater extent.

Useful Services of Trade Associations

Number of Companies Who Mentioned Service

Useful Service	Group I Companies	Group II Companies	Group III Companies	Total Companies
Labour Negotiation Assistance	3	-	2	5
Government Representation	4	5	1	10
Technical Assistance	3	2	3	8
Financial Surveys	7	5	6	18

Services Desired of Trade Associations

Number of Companies Who Mentioned Service

Desirable Service	Group I Companies	Group II Companies	Group III Companies	Total Companies
Management Training	3	2	-	5
Gathering Industry Statistics	1	5	-	6
Establishing Rules for Tendering	1	-	-	1
Government Representation	3	6	-	9
Promotion of Canadian Books	-	3	-	3
Providing Market Information	-	-	1	1
Exchange of Credit Information	-	-	2	2

(j)- Comparison with United States Book Manufacturers

i) Sample of United States Manufacturers

The eight interviewed United States manufacturers are owned by United States citizens and fall into the following sales and profit ranges:

Sales Range	Companies
Less than $5 million	-
5 - 9.99 million	1
10 - 19.99 million	1
20 - 29.99 million	1
30 - 49.99 million	2
50 million or greater	2
No response	1
	8

Net Profit on Sales

Range	Companies
Less than 2%	1
2 - 3.99%	2
4 - 5.99%	-
6% and greater	1
No response	4
Total	8

Although these companies cannot be considered statistically representative of the United States book manufacturing industry, it is revealing to contrast their interview results with the responses of Canadian book manufacturers in Group I.

ii) Type of Manufacturing

The book manufacturers were asked to analyze total last year sales by type of manufacture. Six of the Group I companies were able to do this. Two of the six Group I companies have book sales that comprise only a fraction of total sales, so book sales rather than total sales were analyzed by type of manufacture. Seven of the United States manufacturers did the analysis and all analyzed total sales.

Sales Analysis by Type of Manufacture

	U.S. Manufacturers	Group I Manufacturers
Typesetting	7%	12%
Offset preparation	8	7
Letterpress printing	3	12
Offset Printing	28	25
Hardbound binding	54	35
Softbound binding		9
	100%	100%

The comparison above shows more extensive use of letterpress printing by the Canadian group of manufacturers than by the interviewed United States manufacturers. The Canadian group obtained 68% of its printing revenue from offset or lithographic printing sales. The 68% compares closely with a projected 66% for the United States book printing industry in 1969. The projected percentage is based on United States Department of Commerce figures and assumes that the 1958 to 1966 trend continued until 1969.

U.S. Book Printing SIC 2732

($000,000)

Method of Printing	1958	1966	Ratio 66/58
Lithographic Process	168	484	2.89
Other Processes	248	325	1.31
Not specified	7	18	
Totals	423	827	1.95
Lith. As % of Total	40%	59%	

iii) Non-book Sales

Book manufacturers were asked to state the percentage of their total sales which were derived from book sales. A summary of survey results is shown below. The United States manufacturers concentrate more heavily on book sales than the Group I companies who answered the question.

Sales Breakdown

Books as a percentage of total sales	U.S. Manufacturers	Group I Manufacturers
less than 20%		2
20 to 39%	1	1
40 to 59%		2
60 to 79%		1
80 to 100%	6	2
No response		7
Totals	8	15

iv) Integration

The opinions of book manufacturers on the possibility of a trend towards the integration of typesetting, printing and binding were sought. The views of the interviewed United States manufacturers and

the Group I companies are contrasted below. The United States manufacturers do not feel that there is a trend towards separation of manufacturing functions but 47% of Group I firms do sense a trend towards separation.

Integration of Manufacturing

	U.S. Manufacturers	Group I Manufacturers
Trend towards integrating typesetting, printing and binding	4	2
Trend towards integrating printing, and binding only	4	3
Trend towards separate contracting of typesetting, printing and binding	-	7
No trend	-	1
No response	-	2
Totals	8	15

Reasons given by United States manufacturers for the trends towards integration were as follows:

- integration provides better service to customers
- integration curtails rising freight costs
- integration improves control

v) Management

United States and Canadian manufacturers described the quality of management in the book manufacturing industries in their own countries. Views on general management, production management and marketing management were obtained. Seldom was management in any of these areas rated "excellent" in either country.

General Management

	Rating by U.S. Manufacturers	Rating by Group I Manufacturers
Excellent	-	-
Adequate	4	11
Weak	4	1
Don't Know	-	3
Total	8	15

Production Management

	Rating by U.S. Manufacturers	Rating by Group I Manufacturers
Excellent	-	3
Adequate	8	8
Weak	-	-
Don't Know	-	4
Total	8	15

Marketing Management

	Rating by U.S. Manufacturers	Rating by Group I Manufacturers
Excellent	-	-
Adequate	3	6
Weak	5	5
Don't Know	-	4
Total	8	15

In addition, manufacturers were asked if they felt the book industry in their country was keeping pace in modern management philosophy, technology, modernization of production facilities and market research. In none of these areas for either country was it generally felt that the book industry was very advanced.

Keeping Pace in Modern Management Philosophy

	Rating by U.S. Manufacturers	Rating by Group I Manufacturers
Very Much So	1	2
Average	3	4
Inadequate	4	4
Don't Know	-	5
Total	8	15

Keeping Pace in Technology

	Rating by U.S. Manufacturers	Rating by Group I Manufacturers
Very Much So	1	2
Average	6	4
Inadequate	1	4
Don't Know	-	5
Total	8	15

Keeping Pace in Modernization of Production Facilities

	Rating by U.S. Manufacturers	Rating by Group I Manufacturers
Very Much So	1	3
Average	6	3
Inadequate	1	4
Don't Know	-	5
Total	8	15

Keeping Pace in Market Research

	Rating by U.S. Manufacturers	Rating by Group I Manufacturers
Very Much So	-	2
Average	3	1
Inadequate	4	6
Don't Know	1	6
Total	8	15

vi) Equipment

Manufacturers in both countries described the type of printing equipment that was most important in terms of last years volume. United States manufacturers predominantly reported web offset as the most important type of press whereas the Group I manufacturers more frequently reported sheet offset.

Most Important Printing Equipment

	U.S. Manufacturers	Group I Manufacturers
Web Fed Letterpress	1	1
Sheet Fed Letterpress		1
Sheet Offset		7
Web Offset	7	3
Rotogravure		1
No Response		2
Totals	8	15

Manufacturers also gave the age and replacement date of their printing press that was most important in terms of last year's volume. On average the Group I firms reported that they planned for three years more productive life than the interviewed United States manufacturers

Most Important Printing Press

	U.S. Manufacturers Average	Group I Manufacturers Average
Age in Years	4½	5
Years to replacement	9	11½
Total	13½	16½

vii) Production Run Size

Manufacturers in Canada and the United States were asked to give the sizes of their longest, shortest, and average production runs. The United States manufacturers reported on average, an average printing and binding run size of 22,500 books. This contrasts with averages for those Group I firms that reported of 15,000 books for printing and 13,500 for binding.

Average Production Run Size

Range in number of books	U.S. Manufacturers		Group I Manufacturers	
	Printing	Binding	Printing	Binding
less than 5000				
5000 to 9999	2	2	4	4
10,000 to 14,999	1	1	5	5
15,000 to 19,999	1	1		
20,000 to 29,999	2	1		
30,000 to 49,999	1	2		
50,00 or greater	1	1	1	1
No response			5	5
Totals	8	8	15	15

Longest Production Run Size

Range in number of books	U.S. Manufacturers		Group I Manufacturers	
	Printing	Binding	Printing	Binding
less than 40,000				2
40,000 to 59,999			4	3
60,000 to 79,999			4	3
80,000 to 99,999				
100,000 to 124,999	1		1	
125,000 to 149,999			1	1
150,000 to 199,999	1	1		
200,000 to 399,999	2	3		1
400,000 to 999,999	1	1		
1,000,000 or greater	3	3		
No response			5	5
Totals	8	8	15	15

Shortest Production Run Size

Range in number of books	U.S. Manufacturers Printing	U.S. Manufacturers Binding	Group I Manufacturers Printing	Group I Manufacturers Binding
Less than 500				1
500 to 999	3	3	2	1
1000 to 1,999			5	5
2000 to 3,999			2	2
4000 to 6,999	4	4		
7000 to 9,999			1	1
10,000 to 14,999				
15,000 or greater	1	1		
No response			5	5
Totals	8	8	15	15

viii) Plant Capacity

Estimated plant capacities that were reported in terms of the maximum number of hours per week at which a plant could efficiently operate and the number of hours per week that the plants normally operate are summarized below. Averages show that the interviewed United States manufacturers are using their facilities more fully than their Group I counterparts.

Work Week

	U.S. Manufacturers Average	Group I Manufacturers Average
Maximum Hours Per Week	110 hrs.	110 hrs.
Actual Hours Per Week	96 hrs.	72 hrs.
Acutal Hours Per Week as Percent of Maximum	88%	65%

ix) Leasing

Data was gathered from United States and Canadian manufacturers on the extent of leasing buildings and equipment. Results indicate that the majority of interviewed United States manufacturers and Group I companies own buildings and equipment rather than leasing.

Leasing

	U.S. Manufacturers		Group I Manufacturers	
	Buildings	Equipment	Buildings	Equipment
Lease	-	3	3	1
Own	8	5	10	12
No response	-	-	2	2
Totals	8	8	15	15

x) Trade Associations

The surveyed United States manufacturers reported membership in various trade associations. Book Manufacturers Institute was most frequently mentioned.

Trade Association Membership

Trade Association	Number of U.S. Manufacturers Who Mentioned Their Membership
Book Manufacturers Institute	7
Graphic Arts Industries Association	4
Research & Engrg. Council	2
Printing Industries of America	2

The services that United States and Group I manufacturers found useful are shown below. For both groups, the most frequently mentioned service was financial data surveys.

Useful Services of Trade Associations

Number of Companies Who Mentioned Service

Service	U.S. Manufacturers	Group I Manufacturers
Financial Data Surveys	6	7
Government Representation	5	4
Technical Assistance	5	3
Labour Negotiation Assistance	2	3
Textbook Specification Writing Guidelines	1	

k) Free Trade

Manufacturers were asked to assess the effect of "free trade" between Canada and the United States. "Free trade" was described as complete duty-free flow of books between Canada and the United States and the exemption of Canada from the manufacturer's clause in United States copyright law. In general, the manufacturers in Groups I and III who expressed an opinion felt that the effect of free trade on their own business would be favourable. Although 21% of the Group I and III companies did not express an opinion, 58% felt free trade would lead to increased sales for their firms and 17% felt sales would drop. Likewise 50% believed profits would rise and 17% felt profits would decrease.

Effects of Free Trade on Own Business

	Group I Companies			
	Higher	Lower	Little Change	No Response
Specialization	10	-	1	4
Profits	7	2	2	4
Sales	9	2	-	4
Emphasis on Modernization	10	-	1	4
Emphasis on Management	10	-	1	4

Effects of Free Trade on Own Business

	Group III Companies			
	Higher	Lower	Little Change	No Response
Specialization	6	-	2	1
Profits	5	2	1	1
Sales	5	2	1	1
Emphasis on Modernization	5	1	2	1
Emphasis on Management	5	1	2	1

United States manufacturers were asked if they would favour a reciprocal agreement between Canada and the United States for removing tariffs and the manufacturing clause in United States copyright law. This would create in effect, free trade between the two countries. Of those with an opinion, a majority favoured freer trade.

Canada - U.S. Free Trade

U.S. Manufacturers

	Number
Favour It	4
Oppose It	1
No opinion	3
Total	8

3. Trends and Growth

The growth in total sales and profits of seven Group I companies that returned the statistical questionnaire is shown below. An analysis of growth is also made by the location and by the size of these companies. Although this group experienced considerable sales growth during the last five years, 11% per year compounded, due to the fact that profits fell sharply in 1969 there is no profit growth between 1964 and 1969. However for the years 1965, 1966 and 1967 this group of manufacturers reported considerable growth in profits to accompany the sales growth.

Seventy-eight percent of this group of seven manufacturers' 1969 sales was obtained by firms located outside the Toronto area. The firms outside the Toronto area experienced better than average sales growth, 14% versus 11% per year compounded, and earned profits that grew during the last five years at 6% per year compounded.

The analysis by company size indicates that 76% of the group's 1969 sales were obtained by firms with annual sales greater than $2,000,000. The larger manufacturers reported slightly better than average sales growth, and growth in earnings, more than matched the sales growth.

Sales and Profit Growth
Seven Group I Companies
($000)

	Total Sales		Total Net Profit	
	$	Year to Year Growth	$	Year to Year Growth
1964	13,763		270	
1965	15,839	15%	406	50%
1966	18,470	17%	553	36%
1967	20,244	10%	735	33%
1968	21,304	5%	489	-
1969	23,620	11%	262	-
5 Year Compound Growth Rate		11%		-

Sales and Profit Growth
Seven Group I Companies

	Toronto Area Companies		Other Companies	
	Sales	Profit	Sales	Profit
1964	4,167	12	9,595	257
1965	4,668	38	11,170	368
1966	4,894	26	13,576	526
1967	5,670	218	14,574	516
1968	5,644	95	15,660	393
1969	5,266	(83)	18,353	345
5 Year Compound Growth	5%	-	14%	6%

Sales and Profit Growth

Seven Group I Companies

	Under $2 Mill Sales		Over $2 Mill Sales	
	Sales	Profit	Sales	Profit
1964	3,806	4	9,957	264
1965	4,449	29	11,389	377
1966	4,623	-	13,847	553
1967	5,573	248	14,671	486
1968	5,387	(32)	15,917	521
1969	5,730	(222)	17,889	484
5 Year Compound Growth	9%	-	12%	13%

It is customary for publishers to supply manufacturers directly with paper, cloth and binding board. Five Group I companies provided requested data on their purchases of these items so that manufacturing growth could be analyzed independent of any possible trend for publishers to provide more materials directly. On the basis of these five firms, there is no indication that there is a trend towards publishers providing a greater portion of materials directly.

Growth of Sales and Sales Less Paper, Cloth and Binding Board

Five Group I Companies

	Sales Less Paper, Cloth and Binding Board	Sales
1964	5,523,359	8,428,394
1969	8,885,181	14,051,085
5 Year Compound Growth	10%	11%

United States manufacturers were asked if there was a trend towards publishers purchasing paper, cloth and binding board directly and supplying it. Sixty-three percent felt that there was a trend in this direction.

Trend Towards Publishers Supplying Materials to Manufacturers

U.S. Manufacturers

	Number
Definite trend	4
Slight trend	1
No trend	2
Reverse trend	1
Total	8

There is the distinct feeling in the industry that an increasing portion of Canadian book printing will be done on offset rather than letter press equipment and commercial printers or lithographers share of book printing will grow. Lithographers are often willing to accept book printing at a lower than usual profit in order to obtain volume for their equipment. It is also expected that sheet offset rather than web offset presses will continue to grow in popularity for Canadian book printing.

Group II publisher-manufacturers were asked whether they expected the amount of their manufacturing as a percentage of all books published to increase or decrease. Of those that responded, the majority expect no change. Twenty-four percent of the group expect an increase and 5% expect a decrease.

Portion of Published Books That Are Manufactured
Group II Companies

	Number	%
Expect an Increase	5	24
Expect a Decrease	1	5
Expect no Change	6	29
Don't Know	-	-
No Response	9	42
Totals	21	100%

The plans of the interviewed United States manufacturers and Group I manufacturers to achieve growth in the future are shown below. The most frequently mentioned course for growth was expansion of existing product lines.

Plans for Growth

Number of Manufacturers who Mentioned Alternative

Alternative	U.S. Manufacturers	Group I Manufacturers
Expand existing product lines	5	12
Internally develop new product lines	1	8
Acquire externally new product lines	1	4
Vertical integration		1
Horizontal integration		3
Acquire unrelated business	2	-
Be acquired by an unrelated business		-

Book manufacturers also indicated their past rate of sales growth and the anticipated future growth.

Sales Growth

U.S. Manufacturers

Growth	Past	Anticipated For Future
Less than 5%	-	-
5 - 9.99%	2	2
10 - 14.99%	1	2
15 and greater	2	2
No Response	3	2
Total	8	8

Sales Growth

Group I Manufacturers

Growth	Past	Anticipated For Future
Less than 5%	3	1
5 - 9.99%	3	2
10 - 14.99%	4	3
15 and greater	3	6
No response	2	3
Total	15	15

The interviewed United States manufacturers were asked if they were selling to customers outside the United States and whether or not they planned to sell to Canadian publishers in the future. None of the United States manufacturers claimed to be active in the Canadian market and none reportedly planned to become active.

Foreign Market Activity
U.S. Manufacturers

	Number
Active in Canada	-
Active outside U.S. but not in Canada	2
Export only	1
Nothing	5
Total	8

Plans to Develop Canadian Market
U.S. Manufacturers

	Number
No plans	6
No response	2
Total	8

4. Industry Problems and Solutions

During the survey several explanations were put forth for the relative sizes of the dollar flows in the chart in the introductory part of section VD. Briefly, they are as follows:

1. The manufacturers' clause in the United States copyright law withholds copy right protection to publishers of United States authored books who do not have them manufactured in the United States. This virtually precludes Canadian book manufacturers from competing in their largest and closest foreign market. Due to the fact that labour costs are lower in most, if not all, other foreign markets, the United States has perhaps the only large foreign publisher market where Canadians can compete successfully with domestic manufacturers. In addition, there is no foreign country that could be serviced as easily as the United States by Canadian book manufacturers.

2. Canadian international copyright law gives copyright protection to a foreign publisher wishing to sell his books in Canada, regardless of where they are manufactured. Thus there is no economic incentive for a foreign published book to be made in Canada even if it is a best seller with volume that would be attractive to a Canadian manufacturer.

3. The Canadian book market demands a great variety of books, often in quantities that Canadian publishers consider too small to justify publishing. The alternative is foreign published books imported into Canada.

4. Besides selling directly to foreign publishers, Canadian book manufacturers could penetrate foreign markets by supplying Canadian publishers with books for export. However, Canadian publishers as a whole have achieved little success in selling their books in foreign markets.

5. At present, many books enter Canada duty free. School, college or university curriculum books, other than dictionaries (tariff item 17305-1) and books for libraries (tariff items 17315-1 and 17316-1) have no duty. Books in a language other than English qualify for duty free entry under tariff item 17000-1. Tariff item 17200-1 may be used to obtain duty free rulings for books on the subjects of medicine, law, fine arts, science or religion. Tariff item 17210-1 also permits duty free entry of religious books. Fiction books and others not qualifying for duty free admission under the previously mentioned tariff items are assessed a 10% duty (Items 16900-1 and 17100-1) if the country of origin is a Most Favoured Nation. Under the British preferential tariff, books from United Kingdom enter Canada duty free.

6. The manufacturing cost for a book is higher in Canada than in countries such as England, Japan and Italy. Also, the opinion was expressed that a book for the United States market can be more cheaply produced in the United States than the same book produced in Canada for the Canadian market as the run size for the United States market is much greater.

Also, during the survey, a number of factors were described by members of the industry which were felt to produce high manufacturing costs and/or to depress profits. These factors are briefly described below.

1. The price of paper in Canada to a book manufacturer is higher than his counterpart in the United States pays. It was felt that Canadian paper prices are higher by the amount of duty and dollar exchange. United States paper enters Canada at 12½% duty under tariff item 19750-1 or 15% under item 19700-1.

2. The selection of Canadian paper grades offered to Canadian book manufacturers is inferior to the range available to a United States or British manufacturer. There is the feeling that this is a competitive handicap in trying to provide Canadian publishers with books that can compete successfully against those imported into Canada.

Canadian manufacturers purchase some paper from United States mills to get the desired grades. Manufacturers felt that

if Canadian paper manufacturers had a larger market, the selection offered would be greater. It was thought that a concerted effort should be made to have all books printed in Canada printed on Canadian made papers wherever possible and furthermore, efforts should be made to strengthen the Canadian paper industry by having United States manufacturers making books for the Canadian market purchase at least part of their total requirements from Canadian mills.

3. It is reported by manufactureres that the lack of standardization of book sizes such as 8½ x 11 and 5½ x 8½ or 9 x 12 and 6 x 9 by publishers makes book manufacturing costs higher than they would otherwise be.

4. Machinery used in the manufacture of books has a federal sales tax of 12% added to the purchase price. Contrasting the Canadian and United States book manufacturer buying a United States made machine, the 12% is an additional cost incurred by the Canadian firm. There is, however, no duty expense to the Canadian book manufacturer importing machinery from the United States or any other Most Favoured Nation under tariff items 41201-1 and 41205-1.

5. Excess capacity in the industry has led to very competitive pricing.

6. Publishers apply considerable pressure on manufacturers to reduce prices. This is done by seeking competitive bids on the various phases of book manufacturing, namely typesetting, printing and binding and selecting the lowest bid on each phase rather than giving the whole job to the bidder with the lowest total bid.

7. Canadian production runs in general are too short to permit the use of the very efficient multi colour web offset printing equipment.

8. Labour cost for book typesetting and printing in Canada is higher than in England or Japan and is almost equal or slightly lower than United States labour cost.

In addition to providing the explanations that are related above, manufacturers also identified certain problems of the book manufacturing industry.

Problems in Canadian Book Manufacturing Industry
Number of Companies Who Mentioned Problem

Problem	Group I Companies	Group II Companies	Group III Companies	Total Companies
"Profit squeeze" on manufacturers by publishers	3	1	5	9
Short run sizes	4	6	2	12
Book manufacturing is seasonal	4		1	5
Shortage of skilled workers	1	1	1	3
Publishers do not specify properly	1			1
Poor expense planning of new books by publishers	1			1
Publishers do not research the market well	1			1
Imported books	5	1	2	8
Over-capacity for book manufacturing	5		2	7
No standardization of paper or book sizes	2			2
Imported material for book manufacture is dutiable	1			1
Lack of co-operation between manufacturers	1			1
Manufacturers clause in United States copyright law	4	1	2	7
Photo-copying	1			1
High cost of typesetting	1			1
Only some printers receive provincial subsidies	1			1
Manufacturers in designated areas can receive government grants	1			1
Publishers create delays in manufacture	1			1
Rising cost of manufacture	-	2		2
Paper costs more in Canada than the United States and selection is inferior	-	2	3	5
Need for modern equipment	-	2		2
Book manufacturing costs are lower in England and Japan	-	2		2

Besides identifying industry problems, manufacturers also suggested solutions to these problems. They were as follows:

Possible Solutions to Problems in the
Canadian Book Manufacturing Industry

Number of Companies Who Mentioned Solution

Solution	Group I Companies	Group II Companies	Group III Companies	Total Companies
Free access to U.S. Market	4	3	2	9
Protectionism - e.g. high tariffs	2	2	1	5
Encourage Canadian manufacture of books now imported	1			1
Subsidy for book exports	1			1
Standardization of paper and book sizes	3		1	4
Removal of sales taxes on equipment	1			1
Use modern typesetting methods	1			
Require provincial school textbooks to be manufactured in Canada	2	3		5
Specialization by manufacturers		1		1
Enforce sections of Canadian copy right law restricting book importing		1		1
Government assistance to encourage Canadian book production		2		2

The most frequently mentioned solution to the book manufacturing industry's problems was free access to the United States. In order for Canadian manufacturers to provide books to United States publishers, Canada would have to be exempted by the United States from the manufacturer's clause in the United States copyright law.

The United States manufacturers were asked to state the issues or problems in the industry that they expect will affect growth and profits for the next five years. For contrast the results are shown below.

Issues and Problems Affecting Industry

	Number of U.S. Manufacturers Who Mentioned it
Extent of U.S. Government spending for education	6
Population trend	2
Rising literacy	2
Rising personal income	1
Copyright law changes	1
High interest rates	1
New teaching methods	1
Need for improved distribution channels	1

5. Summary

During the survey, it was pointed out that the fundamental need for the Canadian book manufacturing industry is an enlarged demand for Canadian made books. A bigger market could make possible longer production runs, lower manufacturing costs and higher profits. If Canada should become exempt from the manufacturers' clause in the United States copyright law, there would be an immense expansion of Canadian manufacturers' potential market. To realize sales in the United States, Canadian manufacturers would of course have to compete successfully with United States manufacturers in price, quality and service. It has been suggested during the interviews that the Canadian manufacturer would have to be more than competitive to dislodge an established United States book manufacturer.

Alternate developments that would also expand the Canadian manufacturers' market are increased export sales by Canadian publishers and more publishing by Canadian publishers in order for Canadian published works to obtain an increasing share of the Canadian market. If Canadian publishers are successful in either endeavour it is felt by manufacturers that they will enjoy increased volume.

APPENDIX I

STATEMENT OF WORK

STUDY OF THE CANADIAN BOOK INDUSTRY

PREAMBLE

The Printing, Publishing and Allied Industries in Canada are among the largest industries in the Country in that collectively they generate total revenues in excess of one billion dollars. A considerable portion of this amount is to be found in the book industry. The term book industry includes the "Publishing" function and the "Printing and Binding" function. One of these activities is service by nature and the other manufacturing.

The ratio of trade in imports and exports of printed and published matter is roughly twenty to one against Canada in the overall picture and even greater in the book segment alone.

Because of the large imbalance of trade in this important area of the Canadian economy, the Department of Industry, Trade and Commerce is considering financing an in-depth study of the Book Industry, such a study to include the publishing element and the manufacturing element and further including both French language and English language works.

The book industry for purposes of the proposed study, is generally classified in three categories - textbooks
- specialized books
- trade books.

It is estimated that textbooks account for about 70 per cent of publishers' revenues. For the purpose of the study, the following definitions and classifications should be used:

1. Books

Printed and bound publications not issued more frequently than once a year, which are intended for sale and include no more than 20% advertising matter, and comprising the following classifications:

a) Elementary school textbooks

b) Secondary school textbooks

c) University and other tertiary level textbooks and references

d) Elementary school supplementary materials (workbooks, teachers' manuals, and other bound printed materials)

e) Secondary school supplementary materials (workbooks, teachers' manuals, answer keys, and other bound printed materials)

f) Tertiary level supplementary materials (solutions manuals and other bound printed materials)

g) Psychological tests and achievement tests

h) Printed and bound educational materials not included in classifications a to f

i) Adult fiction, hardbound

j) Adult fiction, softbound

k) Adult non-fiction, hardbound

l) Adult non-fiction, softbound

m) Juveniles, hardbound

n) Juveniles, softbound

o) Directories and almanacs

p) Toy books

q) Encyclopaedias

2. Non-Book Products

a) Printed unbound educational materials (flash cards, working papers wall charts, instruction sheets, etc.) -
    1. Elementary schools
    2. Secondary schools
    3. Other

b) Films -
    1. 16 mm motion pictures
    2. 8 mm motion pictures
    3. Cassettes

c) Filmstrips -
    1. Sound
    2. Silent

d) Filmloops (cassettes)

e) Disk records

f) Tape records -
    1. Reels
    2. Cassettes

g) Overhead transparencies

h) 35 mm transparencies

i) Classroom materials for student use, not included in the foregoing classifications (science kits, mathematics kits, etc.)

OBJECTIVES

The fundamental objective of the study is to obtain a detailed analysis of the book publishing industry and the book printing industry in Canada, in order to determine what steps the Federal Government might take to assist the industry in improving its viability and in promoting its stability and growth. This objective implies that the study will provide the detailed analysis of the industry necessary to formulate the major policy options which may be open to the industry and to the Government of Canada.

CONTENTS OF THE STUDY

The primary purpose of the study is data collection. Two types of data - statistical and qualitative - will have to be collected. While the most important aspect of the study and the one requiring the most work is data collection, the Study will however, require some analysis and interpretation of data.

The Department of Industry, Trade and Commerce requires two basic categories of information being set-out.

a - Statistical details of the "Industries"

b - Economic considerations.

The tentative outline of the report might follow the following pattern:

1. Scope of enquiry
2. Summary of Conclusions
3. Structure of the "Industries"
4. The trading position
5. Management and manufacturing skills
6. Future prospects
7. Conclusions.

The Data to be included is as follows:

Current Position - Domestically

1. Relative importance of the "industry" within the Printing and Publishing Complex and the total economy.

2. Geographic location of production facilities and advantages or disadvantages to domestic market.

3. Size of companies at present; presence of economies of scale and probable optimum size of companies.

4. Facilities evaluation, the degree of obsolescence of plant and equipment and the significance of leased versus owned real estate and machinery.

5. Degree of vertical and horizontal integration of "Printers" and "Publishers".

6. Analysis of resident and non-resident ownership and effects of non-resident ownership.

7. Tendencies toward merger and house specialization including reasons for increase in mergers and distinguishing between mergers and conglomerate takeovers.

8. Capital structure of the "industry" and sources and methods of financi

9. Presence of capital and/or technological barriers to entry into the "industry".

10. Sales of domestic market dividend between "Publishers" and "Printers".

11. Imports and their share to domestic market.

12. Past growth and current output measured by total sales and percentage increases per annum in sales from 1965 to date.

13. Analysis of output growth by location, and size of establishment.

14. Analysis of productivity output in manufacturing sector by unit of capital, by employee and classification of employee.

15. Position of suppliers of machinery, equipment and raw materials and importance of taxes and tariffs on these commodities.

16. The state of research and development efforts,
    (a) in manufacturing,
    (b) in authorship.

17. Availability and suitability of manpower and its management, technical training and marketing skills.

18. "Industry" organization through trade associations and their effectiveness.

19. Provincial and school board procurement practices and their impact on growth both nationally and regionally.

20. Contribution of Government programmes to growth.

21. Availability and accessibility of technological information retrieval systems for authorship purposes.

22. Costs of Rights and Royalties in copyright works and distribution of payments.

23. Markets

(A) Country of origin of each classification listed in Sections 1 and 2 of Preamble, by number of titles, number of copies (units), and dollar cost to Canadian publisher or importer.

(1) Canadian origin (Canadian author and Canadian manufacture)

(2) Canadian author (Foreign manufacture)

(3) Foreign author (Canadian manufacture)

(4) Foreign origin (any country of origin)

(a) Foreign publishers' imprint
(b) Canadian publishers' imprint, by agreement between Canadian and foreign publisher
(c) Canadian publishers' imprint by agreement between author and Canadian publisher
(d) Canadian publishers' imprint, by agreement between Canadian publisher and foreign printer.

(B) Purchases by number of titles, number of copies (units), and dollar totals at purchase price, of each product category listed in Sections 1 and 2 of Preamble, divided between Canadian and foreign suppliers, by the following categories of Canadian customer.

(1) Schools and school purchasing agenices (by province for classroom use)

(2) University bookstores

(3) Tertiary-level educational institutions other than universities (other than library purchases)

(4) Public libraries

(5) University libraries

(6) School and college libraries

(a) Elementary
(b) Secondary
(c) Tertiary

(7) Special libraries

(8) Commercial booksellers

(9) Other commercial retailers.

(C) Sales of Canadian publishers by number of titles, number of copies (units), and dollar totals at publishers' selling price of each products' category listed in Sections 1 and 2 of Preamble, divided between Canadian and foreign country of origin, to the following category of Canadian customer:

(1) School and school purchasing agencies (by province) for classroom use

(2) University bookstores

(3) Tertiary-level educational institutions other than universities (other than library purchases)

(4) Public libraries

(5) University libraries

(6) School and college libraries

(a) elementary
(b) secondary
(c) tertiary

(7) Special libraries

(8) Commercial booksellers

(9) Other commercial retailers

(10) Individuals and business not mentioned above

(11) Government departments not mentioned above

(12) Other Canadian customers

(13) Foreign customers, by country

(a) goods manufactured in Canada
(b) goods partly manufactured in Canada
(c) rights

Current Position - Internationally

1. Present trading position and per capita accounts of imports and exports by type of book and country.

2. Comparative studies (Canadian and foreign) of costs of production, profit, average investment needed, size of firm for optimum economic performance and importance of authorship and publishing rights.

3. Exports - size and location of markets and the disadvantages and advantages of the size of Canadian firms.

4. Imports and their volume relationship to exports.

Canada Under "Free Trade" with the United States

1. Immediate competitive position

2. Immediate marketing capabilities

3. United States sales structure

4. Probable Canadian approach needed

5. Impact of non-tariff barriers

6. Probability of rationalization

7. Probable length of time required to adjust

8. Transitional assistance required.

CONSIDERATIONS

It should be recognized that adequate basic statistical data is not available from Dominion Bureau of Statistics and will therefore need to be collected from industrial and/or other sources.

It is recognized that it may be difficult to obtain some data because of any or all of the following conditions:

(a) Firms, particularly those owned abroad may be unwilling to provide important sales and cost statistics.

(b) The data may not currently be compiled in a form that is readily usable and easily collected.

(c) Some data may not be available at all.

(d) Some firms may be willing to supply data, but unwilling to divert clerical personnel to the gathering of the data.

We feel however, that many of these difficulties can be overcome and that the required information can be developed by extrapolation.

In this connection, it should be noted that absolute figures are required rather than indices. Trends are not of significant value at this time.

Any enumeration of tariff and non-tariff barriers will include copyright law both nationally and internationally. Detailed study of these considerations should not be made. They may be examined later in a separate study if warranted.

The nature of the firms in the book publishing and manufacturing industry in Canada may require some modification of usual data gathering procedures. Materials published by Canadian and foreign publishers are sold in Canada. Foreign publishers are companies that do not themselves operate in Canada. However, many of these publishers are represented in Canada by a Canadian publisher. A Canadian publisher is one that operates in Canada. A Canadian publisher may be Canadian owned or foreign owned. The differences in the ownership and the nature of the operations of these different publishers may require changes in the data collection procedures.

While the study is primarily concerned with book publishing and manufacturing (except with regard to non-book products referred to) it should be recognized that technological developments such as the growth of audio-visual systems and computerized information retrieval systems will undoubtedly affect publishing operations in the future and it will be necessary to keep this in mind during the conduct of the work.

The French language printing and publishing industry is well integrated with its English language counterpart. Nevertheless, the study should include coverage of the French language printers and publishers, although not treating them as a separate or special subject unless the detailed analysis shows significant differences from the English language segment.

METHOD OF SURVEY

The survey shall be based on personal interviews with senior personnel of the industries concerned and for your guidance there are about one hundred and fifty book publishers in Canada of which fifty are French language publishers. There are about twenty-five book manufacturers in Canada. About twenty-five book-sellers should also be interviewed.

A list of the companies, associations, etc. who are to be interviewed, with names of the executives to be approached should be prepared by the consultants and approved by this Division.

Interview guides and detailed questionnaires which may be necessary in the execution of the project should be prepared by the consultants and approved by the Division.

It should be recognized that generally speaking, sampling techniques should not be used. It will be necessary to carry out about 200 interviews.

CONSULTATIONS

Consultations between the officers of this Division of the Department of Industry, Trade and Commerce and/or others who may from time to time be designated by the Department, shall be held whenever deemed necessary by either party.

Consultation between these parties is mandatory during the drafting of any survey questionnaires that are being prepared and the preparation of lists of people to be interviewed.

The Division is to be kept fully and frequently informed of progress throughout all stages of the work.

REPORT

Prior to the completion of the survey, the consultant will provide preliminary reports as sections of the work are completed. Immediately upon completion of the survey portion of the study, the consultant will provide two copies of the detailed statistical analysis of the survey together with supporting data.

The final report should be comprehensive and comprise a narrative and supporting appendices. The narrative should be arranged in sections, and contain concise discussions of all elements covered in the terms of reference. Ten copies of the final report will be required.

The report shall become the exclusive property of the Department of Industry, Trade and Commerce. The Department retains the exclusive right to reproduce and to distribute the report in whole or in part.

The Department reserves the right to withhold payment until such time as the report is completed to its satisfaction.

ALTERATIONS TO STATEMENT OF WORK

If, in the opinion of the consultant, changes which will improve the report without negating the objectives can be suggested, this will be in order, provided such alterations are clearly stated, and can be justified in the tender.

QUALIFICATIONS OF THE CONSULTANT

The consultant firm shall use competent staff who have had the appropriate experience in the Book Printing and Publishing field.

Should the consultant firm intend to sub-contract any or all of the survey, this must be so indicated in the tender. Details of work and personnel shall be specified.

References shall be supplied for work of a similar nature completed within the past five years.

The Department of Industry, Trade and Commerce shall have the right to contact these references for the purpose of verifying that the work has been completed to the satisfaction of the client.

* CONDITIONS OF TENDER

The survey portion of the study involving the collection of the raw data shall be completed by March 31st, 1970 at which time an invoice for one-half of the total price shall be submitted.

The Study shall be completed and ten final copies of the report submitted in final form not later than August 30, 1970 at which time the balance of the total tender price shall be invoiced.

The lowest or any tender will not necessarily be accepted.

* It was agreed that the format of the statistical information be revised as explained in the body of the report and that the submission date of the final report be extended to October 1970.